Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	Ris210	Philippines	Pes40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Es175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR15.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh16	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft162	Nigeria	Naira16	Tunisia	Din0.800
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs29	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Wednesday December 4 1991

D 8523A

Colombia
The poppy triangle grows
Page 8

World News

Last of the US hostages expected to go free today

Terry Anderson, the longest-held hostage in Lebanon, will be freed today, a Moslem fundamentalist source said soon after another American, Alann Steen, was freed in Beirut following 1,773 days in captivity. Freedom for Anderson would begin the final chapter in the seven-year hostage drama. Two German aid workers are still held. Page 18

Kohl minister quits
The scandals surrounding Germany's espionage agencies claimed their most eminent victim with the resignation of Lutz Stavenhagen, Chancellor Helmut Kohl's minister directly responsible for the security services. Page 3

Sterling's future

"In a decade's time, the British will wake up to the fact that any importance of sterling will have evaporated. Either the Ecu will be equal in importance to the dollar; or, even worse for the British, the D-Mark will have become by far the dominant currency in Europe." In today's FT, former west German Chancellor Helmut Schmidt gives his personal view of the tough questions waiting at Maastricht. Page 17

Vance in Osijek
United Nations envoy Cyrus Vance toured the Croatian frontline town of Osijek and said he saw evidence of ceasefire violations by the Yugoslav army. Page 2

Neo-Nazis raided
German police seized weapons in more than 100 raids on the homes of neo-Nazis in 32 cities.It was part of a crackdown on violence against foreigners. Page 18

Japan backs UN role
Japan's lower house of parliament passed a bill that would authorise the first dispatch of ground troops abroad since the Second World War. They would serve in UN-sanctioned actions. Page 5

Moscow talks date
The US and the Soviet Union sought to maintain the pace of the Middle East peace process by announcing that the third stage of negotiations would open in Moscow at the end of January. Page 4

Europe fights crime
The EC is to set up a European police organisation, called Europol, to exchange information on drug trafficking and cross-border crime. Page 3

Boutros Ghali appointed
Egypt's deputy premier Boutros Boutros Ghali was formally appointed by the UN General Assembly to be secretary-general for a five-year term beginning in January. Page 4

Togo premier seized
Togo's prime minister Joseph Koffigoh was captured in a bloody attack on his residence by renegade soldiers. Page 4

Magistrates strike
Italian magistrates staged a one-day strike to protest at what they see as political interference by President Francesco Cossiga. Page 2

Khmer Rouge pledge
Khmer Rouge leader Khieu Samphan, who was attacked by an angry mob and thrown out of Phnom Penh last week, is to return to the Cambodian capital. Page 5

Business Summary

Visa to allow US non-bank companies to issue cards

Visa, US credit card company, is to end a year-old moratorium and allow non-bank organisations in the US to issue its cards.

The decision marks a radical change in a policy aimed in the past at holding back industrial and commercial companies that were beginning to move into the card market. Page 19

GENERAL MOTORS of the US, world's leading vehicle maker, is tightening its grip on the management of Isuzu, its troubled Japanese affiliate, by putting two GM executives on to its board. Page 20

NIPPON Telegraph and Telephone: Japan's Ministry of Finance will release more shares in the telecommunications utility this financial year despite fears that the ailing Tokyo stock market will be unable to digest them. Page 21

BANCO EXTERIOR: The Spanish government will privatise almost 20 per cent of its largest public sector financial institution next year to reduce pressure on the country's public sector deficit. Page 24

URUGUAY ROUND: US farmers cannot accept a deal on farm trade reform on the terms so far offered by the European Community, the trade talks were told. Page 7

SAUDI Basic Industries Corporation, Saudi Arabian petrochemical group, will borrow up to $2bn from domestic banks in 1992 to finance expansion plans. Page 23

US COMMERCIAL aircraft industry has benefited from "massive and systematic" government support worth up to $41bn over 15 years, the European Commission claims. Page 18

FALKLANDS OIL: Talks aimed at co-operation between Britain and Argentina in managing potential resources around the islands open in London today. Page 6

STERLING'S weakness against the D-Mark forced the Bank of England to spend up to $418m – twice what the markets had expected – supporting the pound last month. Page 10

ROYAL BANK of Canada, Canada's biggest financial institution, lifted net income to C$983.5m (US$870m) for the year to end-October from C$964.9m in fiscal 1990. Page 30

GUINNESS, UK drinks group, made its seventh international bond issue of the year, raising A$75m ($59m) five-year funds through Guinness Finance Australia in a deal lead managed by Hambros Bank. It brings to £800m ($1.4bn) equivalent the total raised by the company from bond market investors this year. Page 33

BRENT WALKER, troubled leisure company, said it paid £43m ($76m) for advice from lawyers, accountants and merchant banks in its attempt to avoid receivership. It posted losses of £134m before tax in the 28 weeks to July 14. Figures for the comparable period were not available. Page 27

UNICHEM, UK pharmaceuticals wholesaler whose bid for Macarthy, drugs retailer and manufacturer, has been referred to the Monopolies and Mergers Commission, is stepping up its move into retailing through a £35.1m ($62m) rights issue and the separate £27m acquisition of UK pharmacist E Moss. Page 26

KABI PHARMACIA, pharmaceutical arm of Swedish conglomerate Procordia, is acquiring for SKr500m ($83.9m) the controlling interest held by Swedish company Fermenta, in Italian pharmaceutical group Pierrel. Page 20

Republics told disintegration of union ~~could~~ bring international catastrophe

Gorbachev warns of 'tragic danger'

By John Lloyd in Moscow and **Chrystia Freeland** in Kiev

MR Mikhail Gorbachev, the Soviet president, last night appealed to the Soviet people to uphold the union or risk the "the most tragic of impending dangers". War, hunger and even nuclear exchanges could follow if the union was disintegrated, Mr Gorbachev warned.

His appeal follows an overwhelming vote for independence by Ukraine, the second-largest republic, on Sunday.

"Disintegration is fraught with the danger of ethnic, inter-republican clashes, even wars", Mr Gorbachev said, in an appeal sent to the deputies of the 12 Soviet republics. "This could be a catastrophe for the entire international community and would dash all the achievements resulting from our new thinking". The republics are due to consider whether or not to sign a new union treaty – so far agreed in principle by the leadership of only seven.

■ **Four paragraphs speak volumes for US policy** Page 2
■ **The day the Soviet Union probably ceased to exist** Page 16

In veiled references to a loss of control over the strategic nuclear forces split between the republics of Russia, Ukraine, Kazakhstan and Belorussia, the Soviet president talked of "common security ... ultimately eroding"; and of being "unable to avoid international catastrophe". Last night, Nato urged the breakaway Ukraine republic to renounce nuclear weapons, abide by all the Soviet Union's international commitments and sort out its relations with Moscow and other republics peacefully.

Mr Gorbachev also warns, in an interview to be published in the weekly Literaturnaya Gazeta, that "a new coup may now be in preparation – possibly within the military industrial circles, or in the banned Communist Party structures. His spokesman, Mr Andrei Grachev, said yesterday that the army now risked being drawn into becoming "the instrument of unconstitutional political forces which may be revived" – a clear reference to the Communist Party.

Though this is the Soviet President's most charged and doom-laden warning yet, in which he refers to a "crisis of statehood," it appeared to have been made on the far side of the last ditch. The Ukraine's 90 per cent vote for independence has buoyed a leadership which contemptuously dismisses any notion of union on Mr Gorbachev's terms. The republic is now achieving or expecting to achieve recognition from major world states.

Mr Leonid Kravchuk, in a telephone conversation with Mr George Bush, the US president yesterday – shown on Ukrainian television – said he expected the US to recognise the country soon.

He also said that Mr Boris Yeltsin, the Russian president, would officially recognise the Ukraine when the full results of the referendum on independence are known tomorrow – and added that Mr Gorbachev had assured him that he would take no steps against Ukraine.

Leaders of the three Slav republics of Russia, Belorussia and Ukraine are to meet in the Belorussian capital of Minsk on Saturday to discuss the Ukrainian proposal for a loose confederation of the three states – bypassing the proposed renewed union treaty, according to Mr Anatoly Zlenko, the Ukrainian foreign minister.

Mr Leonid Kravchuk, the Ukrainian president, has called on these three republics, with Kazakhstan, to hold separate talks on control of their strategic nuclear forces - again circumventing the union structures.

International reaction to the Ukrainian referendum is now gathering force behind a common recognition that the centre no longer holds, and that there is no alternative to separate recognition of republics. The US has laid out a list of conditions – control of nuclear weapons,observance of debt commitments, respect for democracy and civil rights and commitment to the free market – which would apply both to the Ukraine and to other republics seeking recognition.

Both the US and Germany are sending high level envoys to Kiev shortly – the German envoy, Mr Wilbelm Heink, travelling on to Kazakhstan and the US envoy, Mr Thomas Niles, being followed at the end of the month by Mr James Baker, US Secretary of State, who will then go on to Moscow.

Romania has joined other central European states in recognising Ukraine – while Hungary has said it will open direct diplomatic relations with Russia. The Indian minister of state for external affairs, Mr Eduardo Faleiro, was reported by the official news agency Tass as saying his country would establish direct relations with former Soviet republics.

Underlining the collapse in union structures, Mr Yeltsin, with 14 other Russian deputies, has resigned his mandate as a USSR peoples deputy. According to Tass, many of those resigning explained their decision by saying it was "impossible to fulfil a deputy's responsibilities".

Debt crisis deepens at Maxwell companies

By Robert Peston and Raymond Snoddy in London

PRIVATE companies owned by the Maxwell family must come up with more than £200m ($355m) by the end of the week or they will be put into administration, a UK insolvency procedure, bankers said yesterday.

One of the banks involved said there was also greatly increased financial pressure on Maxwell Communication Corporation, one of the public companies controlled by the Maxwell family, but it was in no bank's interest to put it into administration.

The gravity of the crisis was underlined yesterday when Mr Kevin Maxwell resigned as chairman and chief executive of MCC, the posts he has filled since the death of his father, Mr Robert Maxwell, a month ago. His brother, Mr Ian Maxwell, also resigned from MCC and later from Mirror Group Newspapers, the other public Maxwell company.

The bankers' pessimism was a reaction to the unexpected news, given to them at an emergency meeting, that £300m is owed directly and indirectly by Headington Investments and other private companies to MCC and MGN. "When we were given the restated valuation of liabilities ... there was an audible gasp", said a banker at the meeting.

■ Lex Page 22
■ **Attention in US focuses on future of Macmillan**
■ **Banks to hold off until Friday** Page 25

Bankers were also told that a separate set of new liabilities at the private companies had been uncovered. They had borrowed between £30m and £40m worth of MCC and MGN shares from the MCC and MGN pension funds and pledged these shares to banks as collateral against loans. The pension fund trustees have written to the banks questioning their right to dispose of MCC and MGN shares held as collateral.

"The private companies will only survive if they can raise more than £200m in new funds within the next few days", said a banker. "There is no chance of the banks providing that."

Another banker said he was pessimistic the funds could be obtained from other sources. The banks' informal agreement not to call in their loans to the private companies – known as a standstill agreement – expires on Friday.

Mr Pen Kent, a director of the Bank of England, is monitoring the situation closely and is unlikely to intervene to prevent the appointment of an administrator.

If the private companies collapse, it will be the biggest UK corporate failure since Polly Peck International went into administration in 1990. Big UK banks have lent an estimated £380m to the private companies and face big losses.

National Westminster Bank, which has lent about £150m, chaired a crisis meeting yesterday morning of more than 30 banks, owed more than £900m by the private companies. They were given the unexpected news that the private companies also owe about £300m to MCC and MGN.

The private companies owe an estimated £250m to MCC. The structure of the debt is complicated. About half is "long term", according to a banker, meaning it was lent some time ago and is not repayable immediately. Of this, a quarter was channeled by MCC through an offshore vehicle set up for tax purposes.

The rest was lent directly to the private companies since May, which is further evidence of the financial difficulties
Continued on Page 18

Ashley Ashwood

Crisis meeting: Ian (left) and Kevin Maxwell arriving for discussions with their bankers in London yesterday

UK wins battle to drop 'federal' goal from treaty

By David Gardner and David Buchan in Brussels

IN YESTERDAY'S final ministerial negotiation before next week's Maastricht summit, it looked certain that Britain's partners would agree to omit the reference to "a federal goal" from the treaty's preamble.

Mr Hans van den Broek, Dutch foreign minister, confirmed that dropping federalism "will be part of the package and there will be a price to be paid" by Britain.

European monetary union by the end of this century also grew more certain last night, after a French plan to decide by majority voting on a single currency drew wide support.

The new French plan would effectively set a final date for introducing a single currency for at least some member states. Lack of a fixed date for economic and monetary union (Emu), during the year-long negotiations, has troubled many of Germany's partners, worried that Bonn's openness to Emu may not last.

Mr Theo Waigel, Germany's finance minister, indicated his crucial backing for the French plan. This would leave the first attempt at agreeing Emu in 1996-7 to an EC summit, where decisions are taken by consensus. If that failed, a summit two years later could within two years opt for a single currency by a simple majority, Mr Pierre Beregovoy, France's finance minister proposed. Mr Norman Lamont, the UK chancellor of the exchequer, said he saw "no reason why if such an *important decision [on introducing Emu]* should be decided the first time by unanimity, it should not be dealt with by unanimity subsequently". The issue will go to Maastricht for resolution. Mr Lamont said the UK and other countries reserved their position on the French plan.

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■ **Eurocrats get down to the donkey work** Page 2
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■ **Helmut Schmidt asks the tough questions**
■ **The odd man out** Page 17

The federal goal reference will now be replaced by a commitment to "closer union between member states and government as close as possible to its citizens," according to Mr Roland Dumas, the French foreign minister.

This would replace the UK's "F-word" bugbear with language similar to that in the current treaty. It would also incorporate Britain's call for a commitment to "subsidiarity" - the doctrine that decisions should be taken at the lowest feasible level of government - which Germany and The Netherlands insist means the same thing as federalism anyway.

This political and psychological breakthrough for Mr John *Major's government came on* a day when the Twelve moved closer to agreeing on the EC's
Continued on Page 18

CONTENTS

US-Israel ties hold the key to Middle East peace process

It has taken even less time than pessimists feared for the Middle East peace process to suffer its first stumble, and the obstacle proved to be the relationship between the Israel of prime minister Yitzhak Shamir and the US.
Page 4

MARKETS

STERLING
New York lunchtime:
$1.772
London:
$1.7715 (1.7765)
DM2.8575 (same)
FFr9.765 (9.77)
SFr2.5275 (2.53)
Y229.25 (230.75)
£ index 90.5 (90.6)

GOLD
New York Comex Feb
$366.5 (369.9)
London:
$367.95 (same)

N SEA OIL (Argus)
Brent 15-day Jan
$19.425 (19.925)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.614
FFr5.519
SFr1.42835
Y129.57
London:
DM1.6135 (1.609)
FFr5.5125 (5.50)
SFr1.4275 (1.424)
Y129.45 (129.95)
$ index 63.1 (63.0)
Tokyo close:129.30

US lunchtime rates
Fed Funds: $4\frac{13}{16}$%
3-mo Treasury Bills:
4.472%
Long Bond:
$100\frac{15}{16}$
yield: 7.912%

STOCK INDICES
FT-SE 100:
2,420.2 (+5.3)
FT-A All-Share:
1,166.18 (+0.1%)
FT-SE Eurotrack 100:
1,056.25 (+8.27)
New York lunchtime:
DJ Ind. Av.
2,933.59 (−1.79)
S&P Comp
381.16 (−0.24)
Tokyo: Nikkei
22,166.83 (+174.54)

LONDON MONEY
3-month Interbank:
$10\frac{11}{16}$% ($10\frac{11}{16}$%)
Liffe long gilt future:
Dec $94\frac{3}{16}$ ($93\frac{23}{32}$)

Dutch presidency rules out vote before end of year on 48-hour week and Sunday day of rest

EC working time directive shelved

By Andrew Hill in Brussels

THE controversial EC working time directive was yesterday consigned to legislative limbo by social affairs ministers, at least until their next meeting in the New Year, and possibly until 1993.

The Dutch presidency of the EC began yesterday's meeting by announcing there would be no vote on the measure, which would restrict employees to a 48-hour maximum working week, and enshrine Sunday as the day of rest "in principle".

A number of ministers – led by Mr Michael Howard, the British employment secretary – unearthed their old objections to the directive: objections which the Dutch have tried to bury in a series of working groups and bilateral ministerial meetings over the last three weeks.

However, Mr Howard also appeared more conciliatory on the principle of the directive than he has done before. He said: "The task now is to ensure that the text does not impose crippling costs and inflexibilities, particularly by way of provisions on the 48 hour week." That is the first time he has appeared ready to accept the directive albeit in different form.

The debate – the first on this measure at ministerial level – was also characterised by another clash between Mr Howard and Ms Vasso Papandreou, the EC social affairs commissioner, who castigated him for ignoring the views of trade unions on working time.

Mr Howard said afterwards: "It's clear that we are some considerable way from a position in which sufficient agreement can be reached to enable a vote to be taken."

The deferral could hold up serious discussion of the measure until 1993.

The Dutch – acutely aware of British sensitivities on social policy ahead of next week's summit – yesterday ruled out another ministerial meeting before the end of the year.

Had ministers rallied against Britain, Mr Howard could have been overruled because the directive has been tabled as a health and safety measure, which requires only a qualified majority in order to be approved.

That is one of Britain's principal objections to the directive. Mr Howard suggested yesterday that the directive could be altered to include a clause obliging employers to carry out an assessment of the health and safety of workers who they believed were at risk from working excessive hours.

Finance ministers confirm Emu accords

By David Buchan in Brussels

EC finance ministers yesterday agreed a series of political understandings on provisions in the monetary union portion of the proposed Maastricht treaty.

Some accords were foreshadowed in the talks which finance ministers have been holding since Saturday night, but they were yesterday confirmed.

Mr Wim Kok, the Dutch finance minister presiding over the negotiation, hopes to greatly reduce the number of outstanding issues that have to be settled by EC leaders next week.

This week's agreements cover:

- The European Monetary Institute, the body which will co-ordinate national monetary policies during the run-up to Emu.

The EMI's board will consist of the Twelve's national central bank governors, who will appoint one of their number to be vice-president. The EMI's president will be nominated by the governors but appointed by EC heads of government, for a three-year term.

This represents a compromise between France, which wants the EMI to be more than just the present central bank governors' committee by another name, and Germany which wants minimum institutional change during the transition to Emu.

Any state can, during the transitional phase, give the EMI some or all of its foreign reserves to manage, but Mr Theo Waigel got an assurance that the EMI would only operate in the market in close consultation with national central banks.

- The European Central Bank, which would have two boards: a governing board of countries participating in Emu, and a general board with all 12 EC states represented.
- Disciplinary sanctions against Emu-participating countries which run excessive deficits. The list of sanctions is more or less agreed, covering a spectrum starting with public warnings and cautions in borrowing prospectuses of overspending states, through to loss of loans from the European Investment Bank and a requirement for non-interesting bearing deposits with the EC, or straight fines.
- At UK insistence, the Twelve will get a slight breathing space in making their national central banks independent of their governments. The process will now have at least until 1997.
- Ecu note design. At UK insistence, the European Central Bank "shall respect as far as possible existing practices regarding the issuing and design of bank notes".

COUNTDOWN TO MAASTRICHT

Eurocrats get down to the donkey work

By David Gardner in Brussels

THE UK may be having trouble with its European partners over let-out clauses on monetary union, escape clauses on a common foreign policy and "we don't want a bit of it" clauses on social policy. But the donkey clause is in the bag.

If those moos and miaouws sound faintly federalist this morning, it is because of yesterday's signal British victory in getting animal welfare appended to the political union treaty the 12 are supposed to agree at Maastricht next week.

The donkey clause, as it instantly became known, will state that the EC and its member states should ensure that common policies on agriculture, transport, research and the internal market take the well-being of animals into account.

National festivals will be covered by this new dispensation. British officials coyly revealed, in a way which could have deleterious effects on some forms of competition. Certain British newspapers, for instance, will no longer have reason to organise competing posses to rescue Spanish donkeys.

Though some Mediterranean countries objected to this British desire to get the EC to intrude into the "nooks and crannies of [their] national life" - and the magic word "subsidiarity" was mentioned - it was eventually agreed that animals, too, had to have a stake in political union, to help counterbalance the rigorous effects of a single currency.

It was not clear yesterday whether the new Negative Assent Procedure being considered for the European parliament would also be applicable to animals, but constitutional experts said that probably a grunt would do.

American businesses fear social legislation

By David Goodhart, Labour Editor

GOVERNMENT and business in the US are being complacent about the effects of the EC's social dimension on American business in Europe, according to a group run by Mr Bill Brock, the former US trade representative.

The Brock Group report says that while some aspects of EC-wide social legislation are inevitable, and even welcome, American businesses in Europe "view with concern" new legislative proposals in key areas, particularly worker participation, organisation of working time, and part-time work.

The report also expresses the anxiety that measures granted to employees in Europe – such as works councils for consultation – may be difficult to resist at home. Further, the EC Social Charter may emerge as the model for a North American Social Charter in the negotiations over a North American Free Trade Agreement.

The Brock Group believes that an over-regulated Europe will become a less attractive location for investment. Already, it states, many European countries are accustomed to more regulated employment and labour relations than the US, with more comprehensive social benefits.

The group also fears that some aspects of EC social legislation may conflict with US law. The information which it is proposed should be available to employee representatives on works councils could cause problems for US companies bound by the Securities and Exchange Commission regulations on disclosure of business information.

Ukraine's premier, Mr Vitold Fokin, at a meeting in Moscow yesterday on the Soviet economy

Four paragraphs speak volumes for US Soviet policy

By Lionel Barber in Washington

THERE WAS no official announcement, no ringing declaration, no historic payment of tribute; but this week marked the start of a new US policy toward the former Soviet Union and the end of President George Bush's long and largely fruitful relationship with President Mikhail Gorbachev.

If there was a clue to the shift in Washington's position, it came during the regular morning White House briefing on Monday, shortly after the news that Ukrainians had voted by a nine-to-one majority in favour of independence.

The White House welcomed the free and fair vote as a "striking testimony to the will for liberty" and announced that Mr James Baker, US secretary of state, would visit Ukraine later this month.

Among several issues, Mr Baker would discuss the future of nuclear weapons on Ukrainian soil.

President Gorbachev and his hopes of preserving some form of economic union merited a single sentence in the four paragraph statement.

During his visit, Mr Baker will hold talks with Mr Gorbachev in Moscow, but the new focus of US policy will be on the relationship between the republics as independent power centres – not, as in the past, the relationship between the republics and the central authorities in Moscow.

The critical relationship is between Russia and Ukraine, both nuclear powers. The administration still believes its influence to shape future events is marginal; but by using diplomatic pressure and, perhaps, holding out the prospect of western aid, it hopes to persuade Russia's President Boris Yeltsin and Ukraine's President Leonid Kravchuk to co-operate on keeping the peace in the former Soviet Union.

This amounts to a quantum leap in US thinking. Just three years ago, General Brent Scowcroft, the president's national security adviser, was letting it be known that an independent, nuclear-armed Ukraine posed one of the greatest potential threats to stability in Europe. Just four months ago, Mr Bush himself visited Kiev and warned against the danger of "suicidal nationalism".

After the Kremlin coup last August, several Soviet experts in the administration warned the White House that Mr Gorbachev's hopes of preserving a union were doomed and that the Ukraine would vote for independence. At the same time, an increasingly assertive Russian leadership made Mr Gorbachev appear redundant. In the words of one western official: "The last few weeks have all been about finding a way of persuading the president to dump Gorby."

In fact, nothing much needs to be said or done in Washington, because the shift in power is taking place with accelerating speed in Moscow. The Ukraine vote and Russia's assumption of the Soviet payroll removes any lingering doubts about the dissolution of the centre, said one US official.

However, the disintegration of the central authority and the union still poses tricky questions for the US. For example, what will become of the Soviet permanent seat at the UN Security Council?

Bonn plans new rules on asylum

By Quentin Peel in Bonn

THE German government yesterday proposed new regulations for processing applications for political asylum, including accelerated legal hearings and a ban on appeals against judicial decisions.

The draft legislation drawn up by the ministries of justice and the interior was published alongside figures showing that asylum applications in October totalled 29,185, down on the 33,570 in September, but still the second highest monthly figure this year.

The largest number, 12,878, came from Yugoslavia, followed by 3,824 from Romania, and 2,452 from Turkey.

Mr Rudolf Seiters, newly-appointed interior minister, has submitted the draft legislation to the leaders of all main political parties, as well as state governments, which will have to implement much of it.

He is proposing that all applications for immigration which clearly do not qualify for political asylum should be processed within six weeks, and the rejected applicants should be speedily deported. At present the asylum figures are swollen by would-be economic immigrants, forced to apply for asylum by the absence of any German immigration procedure for those who cannot prove German ancestry.

The 16 states will be responsible for lodging asylum applicants in camps. Distribution of the camps is likely to be a source of dispute.

Another seems certain to be the suggestion that there should be no right of appeal, especially since more decisions will in future be taken by a single judge.

The proposals confirm that Chancellor Helmut Kohl's Christian Democrats have shelved their demand for a change in the constitution to restrict the right of asylum. Both Free Democrats and Social Democrats opposed this.

Yugoslav army lifts blockade of some ports

By Laura Silber in Belgrade

MR Cyrus Vance, the UN special envoy, yesterday visited Osijek, besieged capital of eastern Croatia, as the federal army lifted its blockades of some Croatian ports.

Tanjug, the Yugoslav news agency, said the army had lifted all blockades, except for Dubrovnik, the medieval port under siege for 63 days.

The army's lifting of the naval blockades, Croatia's lifting of its blockades on federal army barracks in the republic, and the army's withdrawal from Croatia, are the main elements to the latest ceasefire, the 14th, but the first to be brokered by the UN.

However, the continuing fighting between Croats, and the army and Serb paramilitary units could jeopardise attempts by the UN to send a peace-keeping force to Croatia.

Croatian radio yesterday reported overnight attacks on Lijevi Stesanki, a village 18 miles south of Zagreb, the Croatian capital. It said Serb fighters shelled Podravska Slatina, near Croatia's border with Hungary.

Mr Vance's visit to Osijek, which had a peacetime population of 150,000, of which two-thirds are Serb, is intended as a warning to the Serb-dominated army that the international community will not allow Osijek to share the fate of Vukovar, 20 miles to south, which was destroyed by the army and Serb paramilitaries.

Mr Branko Kostic, the vice president of the rump [Serb-controlled] federal presidency, said yesterday practically all territories where Serbs live in the majority had been liberated, and they did not intend to take Croatian cities like Osijek and Vinkovci.

Magistrates strike in protest at Cossiga

By Robert Graham in Rome

ITALIAN magistrates yesterday staged a one-day strike to protest at what they see as political interference by President Francesco Cossiga.

It was the first time the judiciary had organised a strike against an Italian head of state and the stoppage came despite an appeal to all the country's 6,800 magistrates. Only emergency services operated in a limited number of courts.

The magistrates announced their intention to strike after a row over President Cossiga's role as the nation's chief titular magistrate. Mr Cossiga had sought to use his powers as head of the superior magistrates' council (CSM), the magistrates' governing body, to determine the timing and agenda of their meetings.

Mr Cossiga has claimed that young leftist magistrates have carried out politically-motivated investigations.

- Italy's annual inflation rate edged up to 6.2 per cent in November after falling in four consecutive months from a high of 6.9 per cent in June. The government has predicted it will end the year with an annual rate of 6.2 per cent.

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EUROPEAN NEWS

Brussels backs TNT courier joint venture

THE European Commission yesterday confirmed its approval of a joint venture between TNT, the Australia-based transportation company, and GD Net, representing the national post offices of Sweden, Germany, France, the Netherlands and Canada, AP reports from Brussels.

The Commission said initially it was concerned that the venture to form an international courier and express-parcel business could have led to a dominant position in the Community. But it cleared the agreement after the parties agreed to amendments.

The venture will be the third biggest international express business in the world and the second largest in the EC.

The Commission said it was concerned that the venture could benefit from privileges given only to postal administrations, which would give it a competitive advantage.

But it said amendments to the agreement meant the venture would compete on an equal footing.

The Commission's main worry was the five-year exclusive access for the joint venture company to all postal outlets of the five post offices. That "would have provided. . . the company with access to a commercially attractive group of customers. . . which would become available to other private operators only by establishing a separate network," it said.

The companies agreed to reduce the period to two years following the transfer of the post offices' international express operations to the joint venture. They also agreed the scope of the exclusivity would cover only outlets currently providing international express operations, the Commission said.

To help maintain fair competition, the post offices agreed that subcontracted services such as pick-up, delivery and sales would be available to competitors on the same terms as the joint venture.

The Commission also said the parties agreed that the joint venture would not benefit from legal privileges granted to postal administrations including VAT and customs exemptions and special provisions for air and road operations.

Maastricht decisions vital to decision on EC membership, says prime minister

Finland keeps close watch on the summit

By John Burton

THE DECISIONS taken at next week's Maastricht summit will have important implications not only for European Community members but also for those countries wondering whether to apply to join the club. Among the latter is Finland, whose prime minister, Mr Esko Aho, has reservations about closer EC integration, but is considering membership for his country for fear that it might appear "a second-class member of Europe".

Mr Aho, in a wide-ranging discussion yesterday in London with FT editors, said: "The results of Maastricht are essential for our evaluation [of the EC]. We want to see what kind of union the EC will become."

Finland's main concern is that the summit decisions should leave a "certain room for national decision-making" if it decides to apply to join the EC. Still sensitive about its relations with the rapidly disintegrating Soviet Union, Finland is seeking flexibility for independent decisions in the areas of foreign policy and national security, as well as in some economic areas, including its important forestry industry and agriculture.

Mr Aho does not expect its neutrality to be an insurmountable problem, in that neutral Ireland is already a member and Sweden and Austria, both neutral, are also seeking membership.

But "Finland is in many ways a different country from the rest of Europe," said Mr Aho. "Our geographical position makes our problems different from western Europe, so the mechanism that the EC has for regional policy, for example, does not apply to our needs. We need to have a certain room for independent decisions in order to take into consideration those special features of our economy and society."

In Mr Aho's view, Finland has already achieved many of its economic goals in a single-market Europe through the European Economic Area (EEA) agreement recently concluded between the European Free Trade Association, of which Finland is a member, and the EC.

"The EEA agreement means for us economic membership in the EC. It accounts for 85 per cent of the economic benefits that full EC membership would give. But we are discussing EC membership because we don't want to have the image of being a second-class member of Europe." Such an impression could discourage foreign investment in Finland.

A decision on the issue is probable early next year. "If we decide to join, we want to be in the first wave of enlargement," Mr Aho said.

The prime minister, who had talks with Mr John Major, his UK opposite number, when he was in London, believes his country could become a key transit point for western aid to the Soviet Union this winter thanks to its rail connections with its big eastern neighbour. Finland is hoping to help stabilise the situation in Russia and to foster closer economic links with areas on its borders, including the St Petersburg region, Karelia and Murmansk, as well as the independent Baltic states.

Finnish aid is focusing on the Baltic states, particularly Estonia, with assistance being provided in the areas of environment, communications and education. "We are concentrating on the Baltics because we want to avoid them being shut off to both the Soviet and western markets," he said.

"Finland's position in Europe will change from being a remote country to becoming a gateway to the Baltic if the Soviet Union solves its problems."

But Finland is also wrestling with its own economic problems; the country is in its worst recession since the Second World War.

Mr Esko Aho being congratulated earlier this year after the election which brought him to power

The government last week succeeded in persuading the unions to agree a pay freeze next year and the year after. Agreement was reached after the markka was devalued by 12.3 per cent through its temporary suspension from its link with the Ecu. "This will be the last devaluation of the markka," promised Mr Aho.

Papandreou corruption conviction sought

By Kerin Hope in Athens

THE senior prosecutor of a special court trying former Greek Prime Minister Andreas Papandreou for alleged corruption in office yesterday asked for a conviction on one charge and an acquittal on two others.

Mr Nikos Katsaros, a conservative parliamentarian, said Mr Papandreou had induced directors of state-owned corporations to deposit public funds at the Bank of Crete in 1988, knowing that the bank faced a liquidity crisis.

The bank's ex-owner, Mr George Koskotas, has admitted embezzling funds, claiming Mr Papandreou blackmailed him into bankrolling the ruling Socialist party. The prosecutor said Mr Papandreou should be acquitted on two other charges: accepting a bribe from Mr Koskotas and assisting an Athens hotelier to secure an illegal debt settlement.

Mr Papandreou, who has boycotted the hearings, says the trial is the result of a political conspiracy against him. The two other prosecutors, a conservative and a left-wing deputy, will make their recommendations before the 12-member tribunal of senior judges considers its decision.

NEC delays computer factory in Germany

By Christopher Parkes in Bonn

PLANS by NEC, the Japanese electronics and communications group, to build a European personal computer factory in Germany have been delayed because of marketing mistakes and poor market conditions, the company said yesterday.

Although the favoured location was still München-Garching in Bavaria, a decision on when to build would not now be made before spring, 1993, according to Mr Oskar Waid, vice-president of NEC Deutschland.

The go-ahead for a plant employing up to 500 people had been expected next year.

The company, the leading PC-maker in Japan, had not yet achieved its initial aim of building its continental market bridge-head in Germany.

Machines introduced last spring were too expensive, the trade had been reluctant to take them up, and NEC had underestimated the existing competition, Mr Waid said.

Average German market prices for PCs had fallen 40 per cent this year, he claimed.

NEC, meanwhile, had sold fewer than half its annual target of about 40,000 computers, currently manufactured in Hong Kong and Japan.

Price reductions and company reorganisation in August had produced a sharp increase in orders, and resulted lately in delivery problems.

Monthly sales had risen to between 2,000 and 3,000 machines, and were expected to double in 1992.

Even so, NEC Deutschland expected only a modest increase in turnover in the current 1991/92 financial year, Mr Waid added. Around two-thirds of total 1990/91 sales of DM801m (£281m) compared with DM752m for the previous year, came from printers and monitors.

Market development plans include the introduction next spring of new products, among them lap-top and note-book computers, followed in 1993 by mobile telephones.

● BASF Magnetics, a leading recording tape-maker, and a subsidiary of the BASF chemicals group, is to reduce its German workforce next year by 960. One of its three German factories will close.

The company, which employs 3,600, and also manufactures in France, the US and Indonesia, expects a loss during the current year of at least DM100m on sales of DM1.5bn.

Bonn spy scandals claim top victim

By Quentin Peel in Bonn

THE rumbling scandals surrounding Germany's espionage agencies yesterday claimed their most eminent victim, with the resignation of Mr Lutz Stavenhagen, Chancellor Helmut Kohl's minister directly responsible for the security services.

His demise immediately sparked opposition calls for Mr Gerhard Stoltenberg, the defence minister, to resign for his part in secret deliveries of former East German arms and equipment to Israel.

Last night the government was trying to control any knock-on effect from the scandals, which have been exposed in the chaos and confusion following Germany's unification, and the publication of quantities of files from the former East German secret service.

The accusations against both Mr Stavenhagen, hitherto a rising star in the government, and Mr Stoltenberg, one of the most senior figures in the Christian Democratic Union, are not so much that they did wrong, as that they denied knowledge of activities they should have known about.

Mr Stavenhagen, a minister in the chancellor's office, has been under attack for months over his involvement in the case of Mr Alexander Schalck-Golodowski, the former East German currency dealer and fixer, who turned out to be under the protection of the west German espionage agency, the Bundesnach richtendienst (BND), when he fled the country with a western passport.

The minister first denied any knowledge of the case; then the former head of the BND insisted that he had been told; and finally, last week, the Chancellor's office confirmed he had failed to read the letter he was sent on the subject.

The affair of the arms supplies to Israel, exposed when the Hamburg harbour police found Soviet tanks inside crates labelled as agricultural equipment, simply came as the final straw for Mr Stavenhagen. He pleaded ignorance once again, and was clearly found wanting when it was revealed that the BND was the organisation most concerned.

Mr Stoltenberg must appear today before a parliamentary investigation committee to answer for the involvement of the military in the "technical co-operation" exercise with Israel, in which 14 previous secret shipments are now admitted to have taken place. They included air-to-air missiles, anti-aircraft systems, and assorted Soviet-made military vehicles.

Europe plans action on cross-border crime

By Ronald van de Krol in The Hague

THE European Community is to set up a European police organisation, called Europol, to exchange information on drug trafficking and cross-border crime.

EC ministers responsible for interior and security policy, meeting in The Hague, said Europol would co-ordinate information on other types of organised crime, such as money laundering. Its immediate task will be cross-border drug-related crime.

The ministers' proposal on setting up Europol will be forwarded for approval to EC leaders who meet next week in Maastricht.

The ministers agreed to consider drawing up a list of "safe countries" whose inhabitants are not exposed to political persecution. Asylum-seekers from these countries, which might include the former Soviet satellites in eastern Europe, would stand less chance of being granted resident status.

Shamir defiant as further talks set for Moscow

By Hugh Carnegy in Jerusalem and Roger Matthews in Washington

THE US and the Soviet Union sought to maintain the pace of the Middle East peace process yesterday by announcing that the third stage of negotiations dealing with wider regional issues would open in Moscow at foreign minister level at the end of January.

The announcement came on the eve of scheduled bilateral talks between Israel and three Arab delegations in Washington which Israel has said it will not attend.

Mr Yitzhak Shamir, Israel's prime minister, yesterday adopted a defiant stance, proclaiming a government decision to set up a new Jewish settlement in the West Bank and determination to hold on to the occupied territories.

Playing down the row prompted by Jerusalem's decision not attend today's talks with Syrian, Lebanese and joint Jordanian/Palestinian delegations, Mr Shamir said Israeli representatives would be ready to start next Monday instead, as the government had earlier decided. "The peace process will go on," he said.

Preparations for the second stage of the peace process continued in Washington despite the absence of the Israelis.

The Arab delegations arrived in the US during the day, but have not yet indicated whether they are prepared to wait in Washington for Israel to make an appearance.

Mr Shamir confirmed the government had approved establishment of a new army post, to be converted later into a permanent civilian settlement, on a site in the West Bank where two Jewish settlers were shot dead just before the Madrid peace conference in October.

Israel's refusal to halt settlements or consider giving up the occupied territories is regarded by the US and the Arabs as the overwhelming obstacle to progress in the peace talks. Commenting on the fatal shooting of another settler this week, Mr Shamir said "Eretz Israel" – the biblical term for a greater Israel which includes the West Bank and Gaza Strip – would remain in Israeli hands.

"(The shooting) is one of those murderous acts which won't deter us from establishing settlements, expanding them and consolidating them," Mr Shamir said.

The government is braced for a "media nightmare," as Israel Radio called it, in Washington today as a result of its failure to show up. The US, despite refusing to make further conciliatory gestures to Israel, is trying to minimise the propaganda advantage for the Arab delegations.

US-Israeli ties hold key to progress

Roger Matthews, Middle East Editor, on a relationship strained by the peace process

IT HAS taken even less time than pessimists feared for the Middle East peace process to suffer its first serious procedural stumble. And, all too predictably, the initial obstacle has proved to be not the seemingly intractable substance of the conflict between Israel and the Arabs, but the scarcely less sensitive issue of the relationship between Israel and the US.

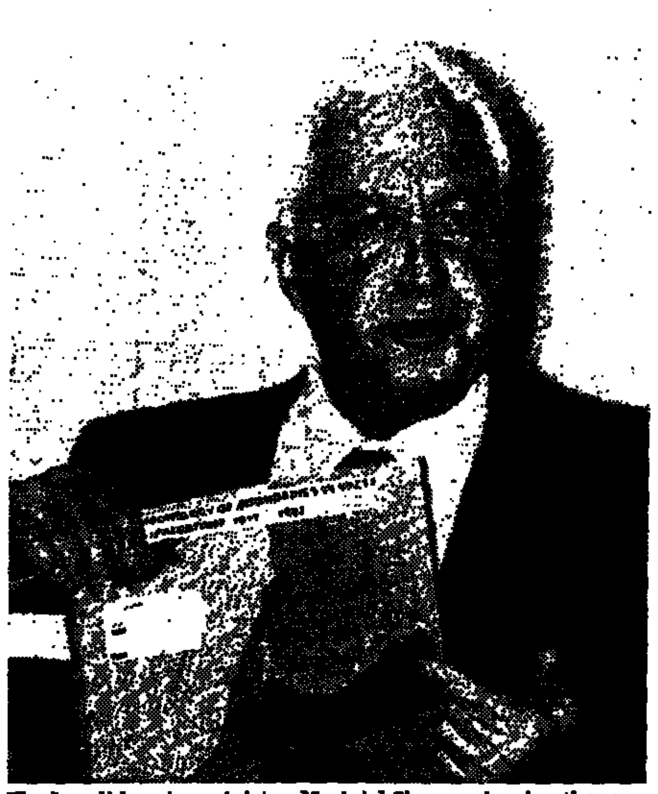
The extent to which that relationship has already been redefined is symbolised by the delay in opening the Middle East peace talks scheduled for today in Washington.

The Americans will be ready to begin on the date that they originally proposed, together with the three Arab groups from Syria, Lebanon and the joint Jordanian-Palestinian delegation.

The only representatives not to appear will be those from Israel, the country which over the past two decades has relied critically on vigorous US economic, political and military support and which, over the same period, has always pledged to go anywhere at any time for the sake of peace.

Israel's refusal to attend on the date set by Washington underlines the extent to which Mr Yitzhak Shamir, the Israeli prime minister, believes that President George Bush has changed his Middle East allegiances.

It required eight visits to Israel by Mr James Baker, the US secretary of state, to persuade a deeply reluctant Mr Shamir to attend the Madrid peace conference at the end of October. Even then Mr Shamir did so fearing that the US, fresh from its military triumph over Iraq, was planning an agenda somewhat different from that acceptable to Israel.



The Israeli housing minister, Mr Ariel Sharon, showing the map of variations in the borders of Palestine and Israel from 1917 until 1982 during a press conference held in Geneva yesterday

It took the Madrid conference and the subsequent diplomatic exchanges for the reality to be fully appreciated.

What emerged from Madrid was that all the participants, except of course Israel, wished to move on quickly to the essence of UN resolutions 242 and 338: the core issue of Israel exchanging the land it occupied in 1967 in return for a full peace with its neighbours.

Mr Shamir contends that Israel has already fulfilled its obligations under those two resolutions by returning the Sinai to Egypt in 1982 and has no intention of yielding any more territory.

It is a unique interpretation and one which, not surprisingly, is rejected by the co-sponsors of the peace process, the US and the Soviet Union, and by most of the international community.

Israel's difficulty in sustaining this position, especially in the face of opinion polls within Israel which show a large majority of the population favouring a land-for-peace deal, would become more obvious the moment the substantive bilateral negotiations began.

With each of the Arab delegations demanding the same concessions from Israel, and the prospect of this three-pronged diplomatic assault taking place with US support under the glare of publicity that events in Washington attract, was not an inviting prospect for Mr Shamir.

Even if an Israeli delegation does eventually appear next Monday, it will still seek to restrict any meetings to procedural issues and particularly to deciding to relocate the talks closer to the Middle East.

The Arab delegations already in Washington are left in the happy position of being required to do nothing beyond re-stating their willingness to negotiate peace along the lines of UN resolutions.

Syria is understood to have decided that it will not under any circumstances be the first to pull out of the peace process, the Lebanese will obviously follow the Damascus example, and the new, more reasoned, style of Palestinian leadership on display for the first time in Madrid can but benefit from further world exposure.

Officially, the US insists that it cannot force the parties to the Middle East conflict to make peace if they do not want to.

"We cannot want peace more than parties that are part of this: we cannot want talks more than the parties," Margaret Tutwiler, the state department spokeswoman, said on Monday. However, she also made clear that the US was not making any effort to mollify Mr Shamir.

Any diminution in active US support for Israel has historically been a cause for alarm in Jerusalem. There are today younger members of Mr Shamir's government deeply concerned at the apparently confrontational course set by the prime minister.

They particularly fear that he may have jeopardised US approval for $10bn (£5.6bn) in loan guarantees needed to settle the Soviet Jews and fuelled the movement against foreign aid that appears to be gathering strength in the US.

The wider Arab world will be watching no less closely, especially those more moderate regimes which have staked part of their political capital on assurances from the US that it is committed to a comprehensive Middle East settlement.

To sustain these Arab expectations without losing the confidence of Mr Shamir's government may already have proved an impossible task for President Bush.

Forged US $100 bills flood banks in Cairo

By Tony Walker in Cairo

BANK tellers in Egypt are being armed with magnifying glasses to help them detect a wave of forged banknotes that bankers say are the best counterfeit $100 bills yet produced.

One banker quoted a veteran official of the US Federal Reserve as saying that he hoped he would be retired before he was shown counterfeit notes as good as those in Middle East circulation.

So good, in fact, are the latest forgeries, using modern copying techniques – an increasing problem in the US and abroad – that the US Treasury will begin issuing new "counterfeit-proof" banknotes from January 1 in the biggest change to the US currency in more than half a century.

A US Internal Revenue Service official, based in the Middle East, says that while the volume of forged banknotes is tiny compared with the estimated $240bn in circulation worldwide, advances in printing have obliged the authorities to modify the US currency to "stay a step ahead".

The distinctive appearance of the "greenback" notes themselves, with their portraits of American heroes, US monuments and the words "In God We Trust" printed on the back, will be preserved, but a "security thread" will be added to deter counterfeiters. Developed by the US Treasury, the polyester thread will have the note's denomination printed on it – 50s and 100s at first – although this will not be visible to the naked eye.

Another feature will be the words "United States of America" microprinted along the borders that frame portraits on the face of the notes. The tiny print size will prevent distinct copier reproduction. Such a step will certainly be welcome in Middle East banks where the work of even the most experienced tellers has been slowed by the appearance in the past six months or so of what are being described as "super-forgeries".

A senior manager of a large joint venture bank in Cairo said that as a matter of policy his bank was accepting $100 bills only from its regular customers, and even then it was marking the notes with the client's account number to discourage any attempt to pass dud notes. One of the main reasons for these precautions is that the time taken to examine each individual note, while a customer waits, can cause irritating delays in busy branches.

"This is a cash society," said the banker. "It is not unusual for someone to come in and make a cash deposit of $200,000." Bankers have tried various ways to streamline checking of banknotes, but a Japanese machine that was effective against less professional forgeries is useless for this latest batch, which are said to be produced either in Lebanon or in the Far East.

Israel has been mentioned as another possible source. These latest $100 forgeries are said to have first made an appearance in Italy earlier this year where thousands were fed into automatic money change machines, before they were discovered.

Bankers say the most obvious giveway of the forgeries, which replicate the chemically-treated paper used in authentic bills and even the most detailed filagree patterns, are the letters "S", "O" and "C" in the words "The United States of America" on the back of the notes. In the forgeries, the rounded tops of those letters have been flattened, but the difference between the real and the forged is only apparent to the most eagle-eyed tellers.

As one Cairo banker put it: "If you have someone who can quickly detect the fakes, he's worth his weight in gold."

According to the US Treasury, forgeries in 1990 amounted to about $66m in the US of the $70bn in notes produced that year. No reliable statistics are available for forged US notes globally.

Togo premier held by rebels

TOGO'S Prime Minister Joseph Kokou Koffigoh was captured by renegade soldiers in a bloody attack on his residence yesterday which left at least 13 people dead, Reuter reports from Lomé.

Reporters visiting the morgue at the central hospital in the capital following the dawn assault counted 13 bodies, 12 of them soldiers. Both the assailants and 50-60 loyal troops defending the prime minister suffered casualties.

"He is in the hands of the Togolese armed forces and is completely safe," a communiqué on state radio said. A presidential spokesman said Mr Koffigoh was being taken to see strongarm President Gnassingbe Eyadema.

The troops, apparently loyal to President Eyadema, and who seem to be backed by most of the 12,000 armed forces, used tanks, machine guns and small arms in their attack.

The troops had demanded Mr Koffigoh's replacement and big changes in the transitional government installed in August by a national conference. The soldiers, mostly from Gen Eyadema's Kabye tribe, were angered by last week's banning by the interim goverenment of Gen Eyadema's former ruling party, the Rally of the Togolese People, while the Prime Minister was out of the country.

The soldiers have demanded that the ban on Eyadema's party be lifted and that the government be dissolved.

The French government, which has sent 300 troops to neighbouring Benin in preparation for evacuating its 3,000 nationals, said it would do "everything necessary to help restart a dialogue."

The attack occurred the day after Mr Koffigoh issued a 10-point negotiating plan to try to end the standoff with the military. It included a demand that the military withdraw from radio and television stations as well as the capital. The plan called for formation of a broader-based government but ignored the soldiers' demand that the provisional assembly, the High Council of the Republic (HCR), be dissolved.

UK refuses to rule out force on Libya

THE UK foreign office minister, Mr Douglas Hogg, yesterday refused to rule out military action against Libya if Colonel Muammar Gadaffi fails to extradite two intelligence agents suspected of the Lockerbie bombing, AP reports from Tunis.

Mr Hogg , speaking at a news conference after meeting the Tunisian prime minister, Mr Hamed al-Karwi, said: "We hope for a peaceful solution, but I can't give a negative or positive answer whether we'll resort to a military option if these attempts fail."

Mr Hogg said that unspecified "other means of pressure" might be needed to convince Col Gadaffi to turn over the suspects if persuasion did not work. He refused to set a deadline.

Mr Hogg, who on Monday met the Algerian president, Mr Chadli Bendjedid, is trying to win the support of Algeria, Tunisia and Egypt, all neighbours of Libya, in helping to convince Col Gadaffi to hand over the two suspects. The UK minister's visit coincided with the arrival in Tunis of Mr Brahim Bakar, the Libyan minister of interior and justice.

Mr Bakar was received earlier in the day in Algiers by Mr Bendjedid, to whom he transmitted a message from Col Gadaffi, official Algerian sources reported. The contents were not divulged.

Britain and the US allege that the two Libyans carried out the bombing of Pan Am Flight 103 over Lockerbie, Scotland on December 21 1988, that killed 270 people.

France has issued arrest warrants for four other Libyans, including Col Gadaffi's brother-in-law, in connection with the 1989 bombing of a French airliner over Niger that killed 170 people.

Meanwhile, Mr Hogg also said the UK would consider allowing extradition of Tunisian Islamic fundamentalists residing in Britain if proof of their involvement in violence could be established.

Moi challenges opposition

By Michael Holman in Nairobi

THE Kenyan president, Mr Daniel arap Moi, yesterday invited the country's opposition to take advantage of constitutional change and form political parties.

He was speaking at a special conference in Nairobi of the ruling Kanu party which endorsed a proposal to repeal Section 2A of the constitution, which bans opposition.

"From today, everyone is allowed to register their party," Mr Moi told more than 3,000 delegates.

They had earlier overwhelmingly approved Monday's recommendation by Kanu's governing council to introduce multi-party politics to Kenya. Enabling legislation is scheduled to go before parliament by Christmas, but enactment will be a formality.

Mr Moi, looking relaxed and confident despite the domestic and international pressure that forced him to end more than two decades of one-party rule, gave no hint of when a general election will be held.

But his combination of exhortations and jokes, which were enthusiastically received by the audience, had the ring of a campaign speech by a leader preparing the way for an early poll.

"Let them [opposition parties] go and get the mandate from the people – they will get zero," he said amid cheers.

But he acknowledged that there was dissent within Kanu's own ranks when he said: "Some of us have joined the opposition, and getting them out is difficult."

Opposition leaders were meeting yesterday in an effort to find common ground in their strategy.

They are expected to call on the government to consult them about an election date, demand international monitoring of any poll, and demand the setting up of an independent election commission.

Female soldiers in desert fatigues on military parade on the 20th anniversary of the founding of the United Arab Emirates. It is the first time a Moslem state on the Arabian peninsula has allowed female troops to parade

New United Nations chief pledges active diplomacy

MR Boutros Boutros Ghali of Egypt, formally appointed yesterday as the new UN secretary general, immediately promised to pursue active preventive diplomacy while promoting democracy and human rights, writes Michael Littlejohns, UN Correspondent, in New York.

Currently his country's deputy prime minister, he will take up the post on January 1 for a five-year term, succeeding Mr Javier Pérez de Cuéllar, who did not seek re-election.

In an address to a crowded General Assembly, which approved the appointment by acclamation, Mr Ghali pledged a vigorous effort to narrow the north-south economic gap.

"Tackling the crippling problem of international debt is central to achieving a healthy world economy," he said.

But while there could be no democracy without development, said Mr Ghali, democracy must not be seen as a "magic potion" and the UN activities to promote it must not become a means to intervene in internal affairs of states.

Mr Ghali, whose age – he was 69 last month – was a point of controversy, has indicated that he plans to serve only one term as secretary general.

Japan's lower house agrees to UN troop role

By Stefan Wagstyl in Tokyo

LEADERS of the Japan's ruling Liberal Democratic Party last night breathed a collective sigh of relief when a controversial bill to allow troops to serve in United Nations peace-keeping operations passed through the lower house of the Diet.

However, the government will face a tough time getting the legislation through the upper house. It wants the bill passed into law in time for Japanese servicemen to join UN units which may be sent to Cambodia next year.

The LDP caused a storm last week when, *together with the* centrist Komei party, it forced the bill through a key committee. The opposition threatened to resort to delaying tactics to prevent the bill's passage but later agreed to allow a vote to be taken in the lower house in return for the promise of a full debate in the upper chamber, where the LDP lacks a majority.

The bill, which passed the lower house by 311 votes to 167, has divided the country. Some Japanese support the government's position that Japan must make a bigger contribution to international affairs including UN activities, while others fear the legislation might infringe the country's pacifist constitution.

At the height of the Gulf War, international criticism of Japan's relative lack of support for the allied effort prompted a swing in opinion in favour of Japan playing a bigger part in world affairs. Even some leaders of the opposition Social Democratic Party, formerly, the socialist party, came out in favour of Japan making a physical as well as a financial contribution to the allied forces.

With the crisis over, however, the cautious are making themselves heard once more. Diet members are getting many calls from constituents expressing their doubts about the bill and also outright opposition to it.

The bill would allow the government *to send up to 2,000* troops on UN peace-keeping missions, on the strict condition that arms are used only in self-defence.

Meanwhile, the LDP is considering accepting opposition party demands for the Diet to pass a resolution renouncing war to mark the 50th anniversary of the attack on Pearl Harbour on Saturday.

Some opposition Diet members want the resolution to contain a frank apology to the US and to Asian countries invaded by Japan during the Second World War. They argue that a strong statement would help to answer claims from overseas that Japan has never made a fulsome apology for the war.

But hawks in the LDP dispute the need for such an apology, saying that Japan has already apologised to China and other Asian countries.

UK, China restart HK talks

BRITISH and Chinese officials began three days of talks on Hong Kong affairs yesterday, but neither side expected much progress because of a row over Hong Kong's proposed court of final appeal, writes Angus Foster in Hong Kong.

The talks, which are being held through the joint liaison group overseeing details of Hong Kong's 1997 transfer to Chinese sovereignty, were described as "useful" by one official.

China is angry at calls by Hong Kong political leaders to renegotiate the composition of the court, which was agreed by China and Britain in September. Although Britain and Hong Kong have said the court cannot be renegotiated, China has claimed Britain is acting in secret with Hong Kong politicians to change the agreement.

The dispute is likely to come to a head today when Hong Kong's Legislative Council, the colonial parliament, *debates* a motion urging the government to renegotiate the court.

Khmer Rouge leader Khieu Samphan leaves a SNC meeting in Pattaya yesterday

Khmer Rouge leaders to return to Cambodia after safety pledge

KHIEU SAMPHAN, the Khmer Rouge leader, is to return to Phnom Penh after the four factions involved in Cambodia's peace process agreed a compromise on guarding the leaders of the guerrilla group, agencies report from Pattaya, Thailand.

Khmer Rouge chiefs including Khieu Samphan, who had been fighting the Vietnamese-installed government for 13 years until October's Paris peace agreement, returned to Phnom Penh for only a few hours last week before being driven out by a mob angry at their genocidal rule during the 1970s.

The factions, meeting yesterday in Pattaya, Thailand, agreed on a compromise under which the Khmer Rouge delegation to the Supreme National Council, the interim body which is to govern the country during a UN-monitored transition period, would be housed in the SNC's compound in Phnom Penh.

The headquarters, a former government guest house, will also be home to some UN officials, diplomats said. This would provide the Khmer Rouge with the moral protection of the UN.

The Khmer Rouge said it would not return unless 800 UN troops were deployed to protect its delegation. However, UN officials said internal security was a Cambodian matter. UN advisers threatened to pull out of Cambodia, possibly scuttling the peace process, if there is another attack on the Khmer Rouge.

Economies of Asia see high growth rates

ASIA'S robust economies outperformed the rest of the world in 1991, posting growth of more than 6 per cent despite the recession in North America, according to a report by the Asian Development Bank (ADB), Reuter reports from Manila.

Exceptions were Bangladesh, India and the Philippines, where growth slowed markedly.

"In contrast to previous world recessions, for instance the 1981-1982 recession, the economic performance of the Asian region has been less affected by the economic slowdown in industrialised countries," the bank said. Though it predicted a slowdown in Japan's growth to 3.3 per cent in 1992, from 4.5 per cent this year, *the bank said developing* countries of Asia would continue to post strong growth.

The newly industrialised economies of Singapore, Taiwan and South Korea would see average growth fall slightly to 7.3 per cent in 1992, from 7.7 per cent this year, but other south Asian economies would expand faster, with the Indian economy picking up.

Hong Kong should continue to see acceleration in its growth mainly due to strong export demand and a big rise in public investments for infrastructure, the ADB said.

Anniversary of Bhopal gas disaster marked by strike

By K.K. Sharma in New Delhi

WORKERS in the central Indian city of Bhopal staged a general strike yesterday to mark the seventh anniversary of the world's worst industrial disaster when poison gas killed more than 3,000 people and injured another 200,000.

Processions moved through the streets to remind people of the night of December 3, 1984, when deadly methyl isocyanate leaked from a pesticides factory, owned by the Indian subsidiary of the American Union Carbide Corporation (UCC).

Demonstrators burned effigies of UCC's former chairman, Mr Warren Anderson, at more *than 20 places across the city.*

Some protesters, led by left-wing leaders, gathered outside the factory and demanded that a 500-bed hospital be set up at its site. The factory has remained closed since July 1985.

The local communist leader, Mr Balakrishna Gupta, said that compensation should be disbursed immediately among the victims and relatives of the deceased. As deaths caused by the leak have continued to mount, frequent changes of government in India over the past seven years have politicised the issue, further complicating court actions and compensation claims.

Last week, a Bhopal court opened hearings of a criminal suit against Mr Anderson and eight executives of UCC's Asian subsidiaries.

India's supreme court last month paved the way for the suit when it upheld the $470m (£265.5m) settlement between the Indian government and UCC. Claims by organisations representing victims had amounted to more than eight-times as much.

Six years ago, the government drew up a scheme for *cash disbursements to various* categories of Bhopal victims and their families.

But continuous litigation left them bereft of any relief except for nominal interim compensation, which they have found totally insufficient.

Payment of the compensation will begin next February after norms are established before 40 special courts being set up in Bhopal.

Between 20 and 30 claims will be heard each day and it may take years before all the victims' compensation claims are processed.

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 10 December 1991

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 10 December 1991. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 12 December 1991 and will be in the following maturities:
ECU 300 million for maturity on 16 January 1992
ECU 300 million for maturity on 12 March 1992
ECU 400 million for maturity on 11 June 1992

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 10 December 1991. Payment for Bills allotted will be due on Thursday, 12 December 1991.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 12 December 1991 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 11 June 1992. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
3 December 1991

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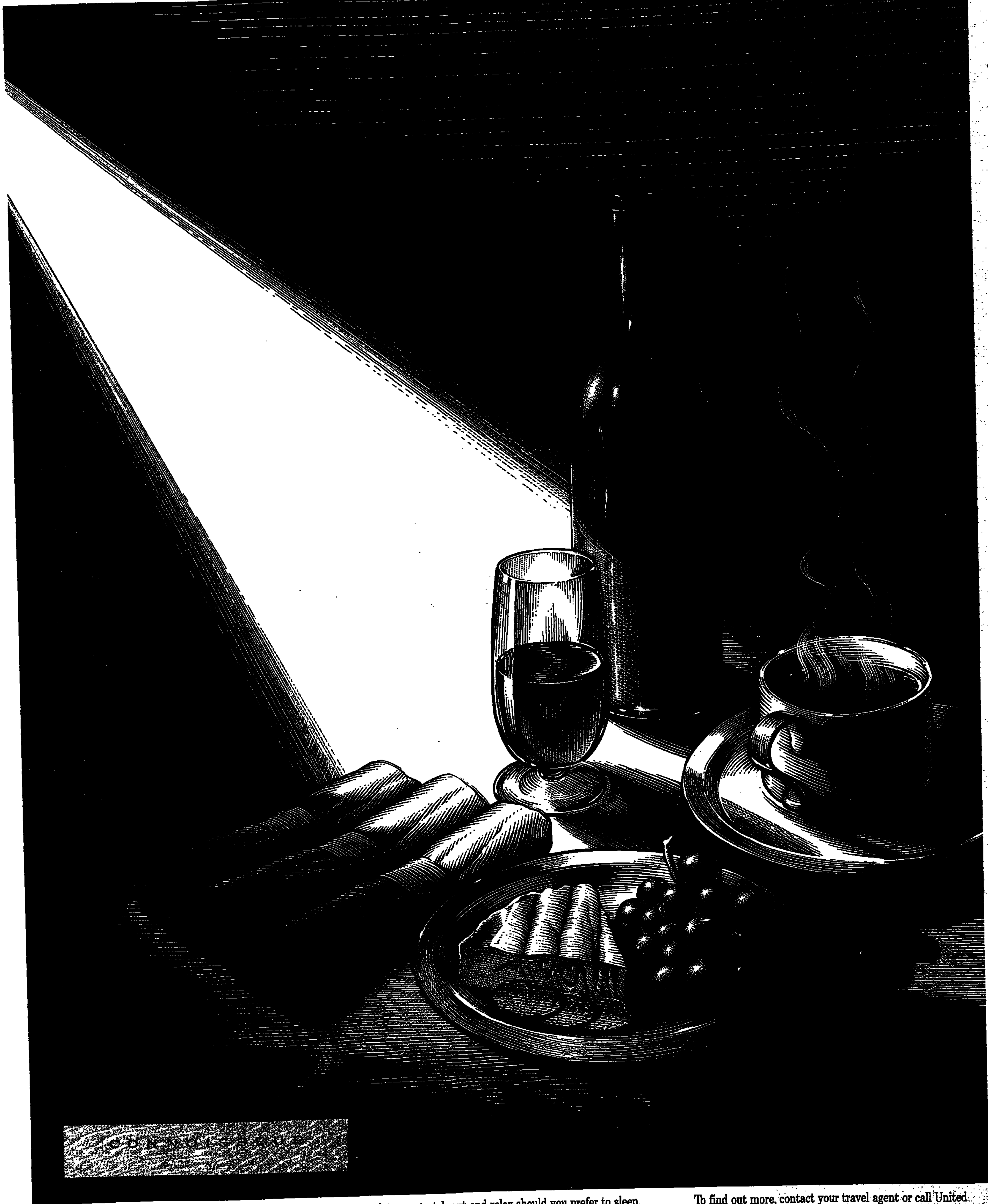

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WORLD TRADE NEWS

EC must back down in agricultural trade impasse says US farm leader

By William Dullforce in Geneva

US FARMERS cannot accept a deal on farm trade reform on the terms so far offered by the European Community, Mr Dean Kleckner, president of the American Farm Bureau Federation (AFBF), said in Geneva yesterday.

He said the US and the EC had to compromise on reductions in farm subsidies in the Uruguay Round trade talks. But the result had to provide for "locked-in cuts in tonnages" of subsidised farm produce on world markets. It also had to ensure that the reductions would continue after the five or six years envisaged.

Mr Kleckner had been voicing US farmers' views to Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, and negotiators from the main farm-exporting countries, as US and EC trade diplomats met in Brussels to seek ways of renewing bilateral dialogue on farm reform. Without a US-EC deal on cuts in farm subsidies the Uruguay Round is unlikely to be completed soon.

There was still a 50-50 chance of a deal, Mr Kleckner said. Pressures on EC governments to cut farm spending were stronger than ever and most European delegations in Geneva had shown a real desire to come to terms.

But if it were left to the European agricultural community and farm ministers, the EC terms would be substantially less than the bottom line to which American farmers could agree. Mr Kleckner confessed to mixed feelings about this week's US-EC meeting in Brussels, organised after intervention by President George Bush and Mr Ruud Lubbers, Dutch prime minister and current EC president. No farm negotiators will be present.

He was happy about the absence of EC farm negotiators but "a little bit worried" that the US side might go further than it should to compromise and make a deal that Congress would not approve.

The AFBF would agree to the lifting of section 22 in the US law, which protects sugar, peanuts, dairy and cotton farmers against imports, only in the context of a multilateral agreement on agriculture in which US farmers received as much as they gave, he said.

Bush ready for concessions on dumping

By Nancy Dunne in Washington

THE US will accept changes in its controversial dumping laws in the Uruguay Round, but in return it would want stronger limits on traders who try to circumvent those laws, a senior trade official said yesterday.

He said the Bush administration had consulted Congress and domestic industry closely and would agree to changes "in the calculation procedures and methodology for determining dumping".

The official said the US would not give up its "Section 301" law which authorises trade retaliation, as many Gatt members have demanded. But he insisted the law could be made to work in conjunction with Gatt if, as expected, the body's dispute settlement mechanism was strengthened and its coverage extended.

No country then would be able to block an unfavourable panel ruling. The US also wants a one-year limit for the injuring party to rectify its abuse. After that period, trade retaliation would be permitted.

Mr Rufus Yerxa, the US ambassador to Gatt, is in Washington this week to meet congressmen, private-sector advisers and inter-agency groups.

He and other trade officials will seek to dispel apprehensions that the US is prepared to cave in on key negotiating aspects.

This week they are contacting members of a restless Congress which is threatening to attach tough provisions to a Uruguay Round package of legislation to force Japan to open its markets.

They will stress that while the US can achieve its basic objectives on agriculture, trade reform, protection of intellectual property rights, rules for services and investment, it must be willing to make concessions as well, including big tariff reductions.

Mr Rubens Ricupero, this year's Gatt chairman (right, with Gatt director general Mr Arthur Dunkel), yesterday warned that world trade growth would decline sharply in 1991 for a third successive year and pointed to the dangers of failure of the Uruguay Round trade talks, writes Frances Williams in Geneva.

Addressing Gatt's two-day annual meeting in Geneva, Mr Ricupero said the final phase of the five-year-old Uruguay Round was taking place against an unpromising economic backdrop. Gatt economists expect the volume growth of world trade this year to be markedly below last year's 5 per cent, itself down from 7 per cent in 1989. With efforts at international economic co-ordination by the big economic powers fragile and unsatisfactory, trade remained the "single most important factor in restoring prosperity, employment and economic growth".

Japanese fearful of regional trade blocs

By Robert Thomson in Tokyo

JAPAN'S Economic Planning Agency (EPA) warned yesterday that the emergence of regional trade agreements could lead to a shrinkage of world trade.

In its annual paper on the world economy, the government agency said the growth of regional trade zones, such as the European Community and the North American Free Trade Agreement, could either enhance or hinder world trade.

"The possibility of raising barriers against countries outside the union cannot be denied. We must be vigilant against such a tendency," the EPA said. The agency suggested that free trade zones would be discouraged from turning into economic blocs if the General Agreement on Tariffs and Trade (Gatt) operated more effectively.

Referring to the Uruguay Round of world trade talks, the EPA gave no indication that Tokyo was ready to concede on sensitive issues such as opening its rice market and dispute settlement procedures.

The agency estimated that there would be a global funds shortage amounting to about \$103bn (£58bn) next year, excluding demand from eastern Europe and the Soviet Union, though the figure is forecast to decline to \$92bn in 1993. It recommends that governments promote personal saving, rationalise financial market functions, and use state funds more efficiently.

Unusually, the EPA suggested, albeit politely, that Washington review defence spending in the light of its budget deficit problems and the changes in the political order: "Given the end of the Cold War and a drastic change in the Soviet political situation, it is necessary to re-examine continuously defence spending, which amounts at present to about a quarter of the total outlays."

The agency said that the promoting of personal saving should be a priority for all governments, and pointed to the "overspending" of US households in the 1980s as a reason for the weak US recovery this year. Excessive US property investment and high corporate debt levels were also cited as long-term restraints on US growth.

The EPA report urged China to broaden its reform programme, and to review the ownership of struggling state industries, accelerate price reforms, improve communication between central and local governments, and enlarge the areas designed to attract foreign investment.

West scrambles for share of Iranian market

Tehran is back in the world trade fold, says Scheherazade Daneshkhu

IRAN, once among the pariahs of the world trading community, is today being wooed by exporters with embarrassing enthusiasm.

A combination of more pragmatic policies by President Ali Akbar Hashemi Rafsanjani, and a long shopping list of infrastructure spending needs following its eight-year war with Iraq, has led to a surge in business deals.

British and US exporters are straining to join the fray now the hostage crisis is close to resolution and the the Iraqi market has been lost because of a trade embargo. They are being joined by leading contract exporters from China, Brazil and South Korea.

On Monday, the US paid Iran \$260m (£147m) in compensation for undelivered US weapons paid for by the Shah before his fall in 1979. A further \$18m was transferred into the so-called Security Account in the Hague which pays off claims against Iran arbitrated at the Iran-US Claims Tribunal. It is a fraction of what Iran is owed but Tehran seems willing to compromise in the face of US goodwill.

US exports to Iran have risen from nil in 1988-89 to \$166m in 1990 and \$273m in the first six months of this year, despite an official trade embargo.

A two-man delegation from the UK's export credit agency, the ECGD, returned last week from Tehran after a "constructive" visit to try to settle an estimated £200m debt to British exporters dating from the Shah's era. British exporters have been hampered by the ECGD's willingness to provide only short-term cover, in contrast to Iran's main European trading partners, Germany and Italy.

Iran imported an unprecedented \$22bn in goods in the year to March 1990, according to Mr Mohsen Nurbakhsh, minister of economy and finance.

Mr Nurbakhsh expects imports to be lower this year at \$16bn, partly because last year's import bill will have included commitments of two or more years. Oil revenues are expected to total about \$17bn, with a possible \$2bn in non-oil exports.

Food imports of \$2.5bn, which accounted for almost a third of all imports at the height of the Iran-Iraq war, now represent a much smaller fraction. Instead, Iran has embarked on a reconstruction programme to overhaul its own strategic industries, such as oil and telecommunications.

Germany is Iran's main trading partner and its exports have been assisted by lifting a DM500m (£175m) ceiling on medium-term cover by Hermes, the state export insurance agency, this year. Exports to Iran totalled \$2.5bn in 1990 and are set to increase this year.

Iran has evolved a pragmatic attitude towards foreign loans, previously deemed anti-Islamic, and has agreed on a number of credit lines tied to specific projects. Deutsche Bank is leading a syndicate of German banks to provide DM510m for the Bandar Khomeini petrochemical complex. The loan is part of a 1990 \$2.2bn financing package being led by France's Société Générale in an agreement with Iran's National Petrochemicals Company.

Rafsanjani: pragmatic

Italy's state medium-term lending agency, Mediocredito Centrale, put together a \$1bn credit line this year in an agreement with Iran's Bank Markazi (central bank) to provide equipment, services and industrial plants. Italian companies are already heavily involved in the steel, petrochemical and refinery sectors despite negotiations on outstanding Iranian debt. Italy's TPL is leading an international consortium to develop the South Pars gas field at an estimated \$2bn, which will be financed by international banks, with repayment made in condensates from the fields.

Japan's Petroleum Exploration Company (Japex) agreed in September to invest \$1.6bn as its part in the joint development of an offshore oil field with Iran's National Iranian Oil Company. It will receive payment in crude oil.

France and Iran are nearing the resolution of a longstanding financial dispute, which has not prevented France exporting FFr2.26bn (£230m) in 1990. France's Technip has, however, lost a FFr1bn contract to rebuild a gas fractioning plant at the Bandar Khomeini petrochemical complex.

A consortium of 14 Brazilian companies has won a contract to build 100,000 houses and Brazil is bidding for three large contracts.

Fed has 'scope' to lower rates

By **Michael Prowse** in Washington

THE Federal Reserve has "ample scope" to cut interest rates further without increasing inflation, Mr Michael Boskin, the White House chief economist, said yesterday.

His remarks followed official figures showing that the US composite index of leading indicators had failed to rise significantly for a third successive month.

The flat trend for leading indicators – used to predict economic turning points – suggests the economy will stay sluggish well into the New Year. The news, however, was tempered by better-than-expected figures for home sales.

Mr Boskin conceded that the recovery had been disappointing and that growth was likely to remain sluggish for the next few months. However, he forecast an economic pick-up after the first quarter of next year as past cuts in interest rates began to stimulate demand.

The Commerce Department said the index of leading indicators rose 0.1 per cent in October. This followed a 0.1 decline in September and no change in August. The index of coincident indicators, measuring the current state of the economy, fell 0.2 per cent in October, another sign that economic conditions are deteriorating.

The flat trend for leading indicators reflected divergent movements of the index's 11 components. Orders for plant and equipment and four other components rose, while five components – led by consumer expectations – registered declines.

The leading indicators began to rise in February, accurately predicting the economic recovery beginning in the second quarter, before peaking in July, shortly before the economy stagnated.

Home sales figures yesterday indicated the housing sector may be more resilient than analysts had feared. New home sales rose 2.2 per cent between September and October to a seasonally adjusted annual rate of 513,000 – 10 per cent up on the same period last year.

Previous figures were revised up substantially. Sales fell only 4.9 per cent between August and September, not 12.9 per cent as initially announced.

Home sales hit a trough of 414,000 at an annual rate in January and have risen in seven out of the past nine months. C. J. Lawrence, a New York broker, said the figures showed that lower interest rates were "keeping the housing recovery alive".

Sununu under fire from Bush's son

THE future of Mr John Sununu as White House chief of staff remained in doubt yesterday amid fresh signs of Republican pressure for his removal, Lionel Barber writes from Washington.

With speculation growing that President George Bush may be close to announcing a shake-up among his senior staff, it emerged that his eldest son had told Mr Sununu his job was in jeopardy.

Mr George Bush Jr told Mr Sununu last week he had lost the confidence of several members of the cabinet, alienated many White House staff and damaged his base in the Republican party. President Bush himself held talks with Mr Sununu about his future last Sunday at the White House.

At the same time, the president conferred with Mr James Baker, secretary of state and his closest political adviser, at Camp David over the weekend. Mr Baker is understood to be unhappy about the lack of cohesion on domestic policy and the infighting at the White House.

Mr Sununu's critics suggested yesterday that Mr Bush Jr's message was intended as a polite way of pushing the White House chief of staff toward resignation and paving the way for Mr Samuel Skinner, transportation secretary, to take over. But other officials said he was still reluctant to sack Mr Sununu.

In the absence of action, Mr Sununu has mounted a furious lobbying effort to save his job, calling Republican members of Congress and complaining that "the noose is tightening around my neck, and I need your help". Yesterday, two prominent conservatives, Congressmen Henry Hyde and Vin Weber, expressed support.

Insiders expect Mr Bush to announce the composition of his re-election campaign team soon, with Mr Robert Mosbacher, commerce secretary, widely expected to be named campaign chairman. Other prominent members include Mr Charles Black, a Republican political consultant, Mr Robert Teeter, the president's pollster, and Mr Fred Malek, a long-time Republican operative.

Several potential members of the campaign team are said to be reluctant to sign up unless the imperious chief of staff goes, adding to the pressure on him to resign.

Sarita Kendall reports on Colombia's growing poppy triangle

Drug lords turn to heroin

A Colombian soldier guards sacks of seized marijuana waiting to be burnt

ON THE MISTY slopes of the Andean cordilleras, the red, white, purple and pink poppies signal Colombia's newest and most profitable illicit product. "In the '70s we had the marijuana boom, and in the '80s cocaine. For the '90s it's going to be heroin," warns a Colombian drug expert.

Isolated patches of poppies had been spotted as long as 10 years ago, but it is only in the last few months that the police have discovered big plantations. South-west of Bogotá, a poppy triangle has emerged along the mountainous borders of the department of Cauca, Huila and Tolima. Since August narcotics police have destroyed over 1,000 hectares of poppy fields in this area alone – enough to produce a ton of heroin.

The cool, moist climate above 2,000 metres is ideal for poppy growing. The Colombian drugs gangs already operate extensive transport and distribution networks for cocaine and marijuana, but they can make between 20 and 40 times more for a kilo of heroin than for a kilo of cocaine. Even raw opium is worth almost twice as much as cocaine in Bogotá.

From the farming to the distribution stage, police say the methods used betray the expertise of well-established drug organisations, especially Cali-based groups. Poppy seeds are delivered to the peasant farmer, who is given technical advice and the promise of a good price for crops. At least two, sometimes three, crops can be planted each year, and the first harvest gives the farmer his own poppy seeds.

A few days after the flower petals have fallen, the morphine content of the swelling poppy bulb is at its greatest. Then the bulbs are scored with long, light cuts in the late afternoon or early morning. The milky gum oozes out of the cuts and is collected later by workers, who earn three times as much as they would picking coffee further down the mountainside.

A hectare of poppies yields about 10 kilos of opium gum, and the gum sells for $1,200 to $2,200 (£1,240) a kilo. It is a high-value, low-bulk product with a guaranteed market, any farmer's dream. The tell-tale signs of a bonanza – peasants on spending sprees, and scarce labour – are already evident in the south-west.

While the poppies are sometimes camouflaged by maize stalks, the low cloud and inaccessibility of the high cordilleras provide the best cover. Agronomists in the region say vegetation along the mountain tops is being destroyed, leaving valley heads and watersheds exposed. Although spraying has proved effective against marijuana on the north coast, it could raise protests from ecologists in the Andean areas.

Several morphine laboratories have been found in the city of Neiva, east of the poppy triangle. One contained acetic anhydride, the key chemical needed for the next step when morphine is turned into heroin. But foreign experts believe most of the opium is being processed abroad, and Colombian heroin-making is still in the experimental stage.

The process of turning opium into morphine and then heroin is far more complex than making cocaine from coca leaves, and skilled foreign chemists have been brought in.

Heroin seized in Bogotá has been variable in quality so far, but samples captured in the US and said to be Colombian are extremely pure – suitable for heroin users who have shifted from injecting to sniffing.

The police say the trafficking patterns are still unclear, though it seems likely that Colombia's drug organisations are aiming for the growing European and US markets. A kilo of heroin sells wholesale for about $150,000 in the US. Small amounts can earn big profits, so the individual courier – who had been replaced by bulk shipments of other drugs on boats and aircraft – once again becomes an important participant. Because the Colombians command such far-reaching cocaine distribution systems, they are disturbingly well placed to reach new users abroad and at home.

Estimates of the area planted with poppies range from 3,000 to 25,000 hectares. But whatever the actual figure, the authorities agree that poppy growing is already widespread, and that drug-related violence is likely to intensify. Whereas the low price now paid for coca leaves makes it possible for legal crop substitution to succeed in a few cases, opium is far too lucrative for this strategy to work.

The military also point out that poppy areas coincide with guerrilla territory: rebels are apparently taxing growers in exchange for protection.

More than 50 tonnes of cocaine has been captured in Colombia this year, yet cocaine prices have not risen and supplies do not seem to have been affected. Pressed and packaged marijuana has also been discovered in recent months, suggesting a resurgence of production. As the drug gangs diversify into heroin making, they have even more at stake – and so has Colombia.

UK and Argentina to discuss Falklands oil

By **John Barham** in Buenos Aires

THE first negotiations between Britain and Argentina over possible co-operation in managing potential oil resources around the Falkland Islands start in London today.

Last month Britain announced it would allow the Falklands government to issue licences to companies to carry out seismic surveys in its territorial waters, while agreeing to talks with Buenos Aires over co-operation.

"These are only talks about talks and about establishing an agenda for further negotiations in Buenos Aires next month," a British official said. Today's discussion will be held in parallel with fishery talks.

Argentina is expected to press for a bilateral oil regime that would allow Argentine-owned companies or Argentine-based multinational oil companies to operate in Falklands waters. Occidental, the US oil company, is already exploring for oil in Argentine waters off Tierra del Fuego, to the west of the Falklands.

But the Falklands government has strongly resisted Argentine attempts at rapprochement since the 1982 conflict over the islands with Britain. Despite its defeat, Argentina still claims sovereignty over the Falklands and other British-held islands in the south Atlantic whose continental shelves are rumoured to contain valuable oil reserves.

In the last 18 months, Britain and Argentina have established full diplomatic relations, relaxed military restrictions around the Falklands and established limited co-operation over managing the region's rich fish stocks.

Argentina hopes increasing collaboration with Britain in regulating fishing, flights and possibly hydrocarbon production will eventually force London to begin negotiating on sovereignty, which it has so far refused to contemplate.

Brazil celebrates fall in November inflation rate

By **Christina Lamb** in Rio de Janeiro

BRAZILIAN Economy Ministry officials were celebrating yesterday as the monthly inflation rate fell for the first time in seven months .

Inflation between October 27 and November 22 was 26.4 per cent, compared with 27.3 per cent for October, according to São Paulo university's FIPE index. FIPE estimates inflation for November at 26 per cent – well below earlier expectations of 30 per cent.

The downturn is small, but government officials say it is the first time in recent years that inflation has been reduced without a price freeze. They claim tight monetary policy is finally taking effect.

The news follows a plea by President Fernando Collor for people to leave their Christmas shopping until December 24 to force business to cut prices.

The government's policy of high real interest rates – currently at 36 per cent a month – has almost brought the economy to a halt. According to figures just published, 5,871 companies in São Paulo have gone bankrupt so far this year – more than in the whole of the last two years combined.

UK NEWS

UK rejects Brussels plan on sex equality

By Diane Summers, Labour Staff

THE government yesterday rejected a European Commission plan under which member countries are supposed to draw up and monitor national programmes on sex equality.

The rejection was met with *dismay by the Equal Opportunities* Commission and EC officials. *Ms* Christine Crawley, who chairs the European Parliament's women's rights committee, accused the government of failing to back its words on equality with action.

Mr John Major, the prime *minister*, recently launched the business-backed Opportunity 2000 *campaign which aims to* improve the position of women in the workforce.

"If this is the follow-up to Opportunity 2000, it is opportunism 2000," Ms Crawley said.

The emphasis of Opportunity 2000 is on practical goal setting and monitoring of progress by participating organisations. Most government departments, *as well as over 60 companies,* have now signed up.

The government's rejection of a national sex equality plan came at the UK launch of an EC-wide "action programme" on equal opportunities which is due to run until 1995.

Mrs Virginia Bottomley, *health minister and vice chair* of the ministerial group on women, said at the launch yesterday that the government "supported the overall aims" of the EC plan, but favoured a "flexible and voluntary approach". *It would be "counter-productive to lay down rigid requirements"* which could end up detering employers from *recruiting* and promoting women, she said.

The EC action programme "invites" member states to adopt national, regional and local equality plans, and to "draw up assessment reports" on sex equality measures. *The* European Commission will *assess the progress of member* countries in an interim report in 1993.

An EC official said yesterday "structured monitoring" of equal opportunities by individual member countries was *essential if the effects of the* action programme were to be evaluated properly.

The EOC said it was for the government to set the overall framework action on equal opportunities. This did not have to be rigid, but could provide a "firm backbone" for policies. The EOC said it hoped that Mrs Bottomley and the *ministerial group on women* would change their minds on the issue.

The European Commission's priorities for its programme are: the application and development of the legal framework for sex equality within member countries; the promotion of the *integration of women within* the workforce; and the *improvement* of the status of women in society.

● Sixteen per cent of industrial workers in Britain work nights compared with 11 per cent in the rest of Europe and more than 300,000 British workers work over 60 hours a week, according to the Low Pay Unit. *The Unit* urged Europe's labour ministers to accept the EC directive on working time.

Channel fog hides Labour's ship of state

Ivo Dawnay on the opposition's dismay as the voters turn their attention to Europe

LIKE a blanket of dense Channel fog, the preliminary skirmishing that has signalled the government's imminent engagement at the Maastricht summit has left the good ship HMS Opposition becalmed in a sea of media indifference.

As Captain Kinnock paces *the decks, his frustrated* crew must bide their time polishing grappling hooks and conserving their grapeshot for the moment Mr *Major sails back to* home shores.

Whether the prime minis*ter's return will be as a con*quering hero or as a humiliated subordinate of the continental powers remains an unknown. Some say it barely matters.

"It is probably best for us if *he fails to get an agreement,*" one opposition frontbencher commented yesterday. "But whatever happens, the important thing is that it all dies out quickly and we can focus the voters back on the domestic *agenda of the economy and* public services."

Yesterday, the opposition's irritability was almost palpable. In the Commons, Mr Roy Hattersley, the deputy leader, tried, Canute-like, to ignore the tide of Euro-news and kick start a new battle over the health service.

Across the water in Brussels, Mr Kinnock himself was attempting to use a speech to the pre-summit meeting of the Confederation of the Socialist Parties in Europe to stress once again Labour's collabora*tive posture towards the Com*munity.

But both efforts were more revealing in their lack of political resonance. The edited extracts of Mr Kinnock's address chose to highlight Labour's advocacy of a Social Charter of workers' rights and its indifference to the so-called *"opt-out" clause, allowing* Britain to hedge its bets on monetary union.

So would Labour negotiators not require such a clause? Probably not. But lost in the doldrums of pre-summit West*minster such questions seem to* have little relevance.

Drawing parallels with Mr Major's summer of international diplomacy, party officials reassure enquirers that the slimming of Labour's opinion poll lead to a statistically dubious one or two percentage points is a temporary pheno*menum.*

But the drift, at a time when the economy appears still to be deep in recession, is causing some disquiet on the backbenches. Few believe, however, that there is much that can be done.

As a measure of their frustration, the party's communications' chiefs were engaged yesterday in skirmishing with the broadcasting media over Labour's right to a seat among the ranks of Euro-commentators, now hogging crucial pre-election airtime.

"*A few weeks ago* Europe was nowhere on the list of voters' priority issues, now its in third place after health and unemployment," one official lamented yesterday, yet still Labour's much-touted views *remain largely unreported* or unsolicited despite four set-piece European press conferences in each of the past four weeks.

Tomorrow an opposition debate on the economy will do *something to redress the bal*ance. But Labour must also expect almost as much media coverage of the official ousting of Mr David Nellist and Mr *Terry Fields,* the two *hard-left* MPs accused of links with Militant, widely-predicted to take place at hearings later this week.

Speculation is mounting that both MPs may declare their determination to fight their seats under independent social*ist banners. But then even this* not-wholly-welcome reminder of Labour's extremist past might well be equally lost in the mists of Maastricht.

Fogs can have silver linings too.

Liberal Democrats call for 'federal' character

Mr Paddy Ashdown, the UK Liberal Democrat leader, yesterday joined other prominent EC Liberals in calling for a European Union with "federal characteristics" preserving member states' "national identities", writes *David* Buchan.

In a pre-summit statement, the leaders of the British, German, Dutch, Danish Liberal parties and of the French Radical and Portuguese Social Democrat parties rejected the thrust of any Maastricht treaty which would deal with foreign policy and immigration matters on an inter-governmental basis, *rather than under standard* Treaty of Rome rules.

Mr Ashdown took the opportunity of his visit to Brussels to serve notice on the European parliament that the UK Liberals will take it to the European Court of Justice for failing to finalise a resolution calling on EC governments to introduce proportional *voting in the whole of* the Community.

The UK's Liberals have never been represented in the Strasbourg Parliament, since direct elections to that body started in 1979, because of the UK's unique election system. The Liberals will appeal to a Treaty of Rome provi*sion, calling for a uniform electoral procedure* for MEPs. Mr Ashdown was confident that John Major would sign at Maastricht but accused *him* of mishandling the negotiations.

Budget for Channel tunnel station cut to £18m

By Richard Tomkins, Transport Correspondent

BRITISH Rail's *budget for* building an international railway *station for Channel* tunnel trains at Ashford, Kent, has been cut to less than an eighth of the £140m originally planned.

The government has told British Rail that it can spend only £18m on the station and has asked the railway to come back with *less ambitious* proposals.

The station is intended to provide the population of south-east England with a way of joining Channel tunnel trains without having to travel into the centre of *London first.*

BR had hoped to build a high-profile international gateway which would have provided interchange facilities between Channel tunnel trains and local services from Kent and Sussex.

However, Mr Malcolm Rifkind, transport secretary, said in a written Commons answer yesterday that BR's allocation of funds announced in the government's autumn statement *on spending* last month had allowed for spending of only £18m on the station.

"I have asked the chairman of British Rail to give serious consideration to the possibility of building a *smaller station* at *Ashford than the one* they have proposed," he said.

"I hope it can be in place in time for Ashford to be served by some international passenger trains when scheduled services through the Channel tun*nel commence.*"

In October Eurotunnel, the Channel tunnel operator, tried to embarrass the government into funding the Ashford station plan by drawing up plans for a £4m temporary solution *using prefabricated huts.*

Mr John Prescott, the opposition's transport *secretary,* said that the effect of the government's announcement was to turn this plan into reality.

"This cowshed will be the *first monument to this* Conservative government that Europeans will *see when they come* through the Channel tunnel," he said.

Retailers report bigger takings on Sunday trade

By John Thornhill and **Robert Rice**

CUSTOMERS of supermarkets which opened last Sunday spent on average 60 per cent more than typical weekday shoppers, according to a survey.

It estimated that one in 20 *British households* went grocery shopping on the first Sunday on which many supermarkets and other retailers in England and Wales decided, on a large scale, to ignore the law and open their doors.

The research by Nielsen, based on 7,100 consumers , showed *that the average cus*tomer spent £13 on Sunday compared with £7.90 on weekdays.

It suggested that Sunday opening had particularly attracted young professional consumers who *worked* full-time and had children.

The research, however, did not support the view that there had been a fundamental shift in shopping patterns.

Sunday trading accounted for 3 per cent of the week's food purchases compared with 1 per cent in the preceding week.

Past studies have shown *that Friday is the most popu*lar day for grocery shopping, accounting for 25.1 per cent of all trips. Saturday follows with 22.1 per cent.

Meanwhile, Marks and Spencer, which is opposed to Sunday trading, announced it was extending its weekday opening hours to compete.

City planners reject redevelopment of site beside St Paul's

By Vanessa Houlder, Property Correspondent

THE *controversial site next to* St Paul's Cathedral in the City of London is again in doubt after proposals to redevelop the area were sent back to developers.

The Corporation of London's planning committee yesterday sent proposals to rebuild Paternoster Square back to the developers with a list of 22 objections for further negotiations.

Planning difficulties affecting Paternoster Square together with the collapse in the *central* London property market, may give another lease of life to the bleak, windswept office blocks that were erected on the site after the second world war.

The developers, Paternoster *Associates, a partnership* between Greycoat, a UK developer, Park Tower Group of New York and an affiliate of Mitsubishi Estate Company, a Tokyo-based developer, declined to comment on the decision until they had considered it further.

The partnership bought the site in November 1989 for £160m from the Venezuelan *Organizacion Diego Cisneros.*

The rejection of the plans is the latest twist in one of London's most bitterly fought planning debates.

Previous proposals to redevelop the square in a modern*ist style were dropped after* criticisms from the Prince of Wales.

The latest proposals, which were unveiled by the Prince in May this year, included 630,000 sq ft of offices and 80 shops and restaurants set in a traffic free area around a central square.

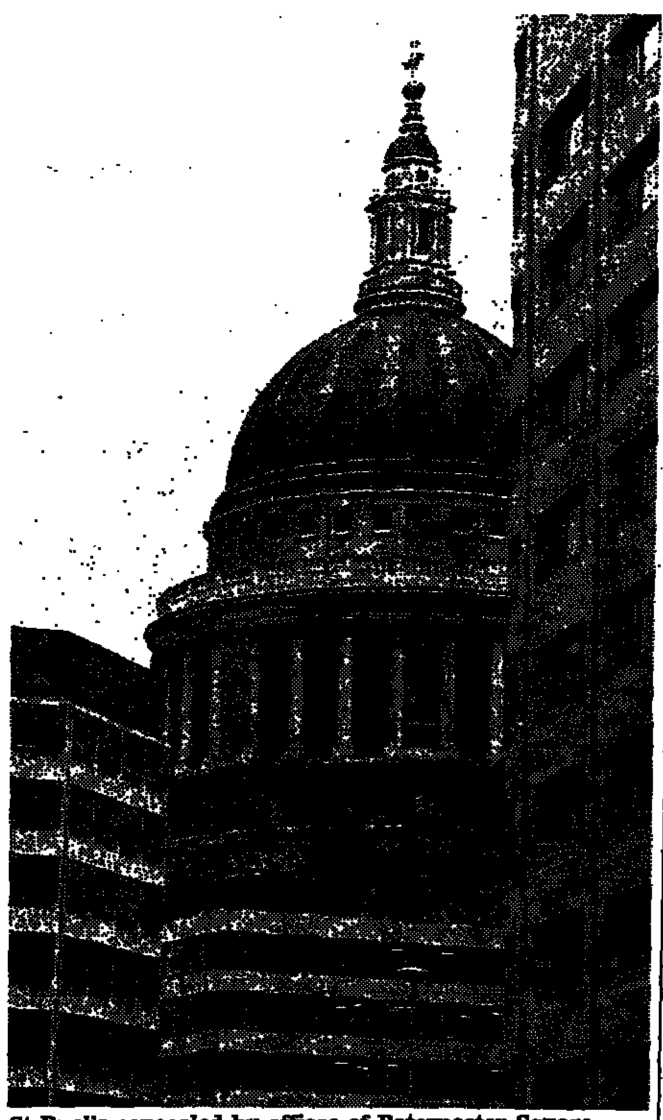
The neo-classical designs attempted to restore much of the medieval pattern of streets and lanes that existed before the war.

The designs, which were put on public exhibition, were warmly received by the public. Gallup, the research company, reported "an exceptionally positive reaction amongst the public to the proposed scheme".

The City planners, who are not able to make judgments about architectural styles, objected to the scheme largely because of the height of three buildings in relation to surrounding buildings and views of St Paul's. The Chapter House, a listed building, would be made to "appear like a doll's house", said Mr Peter Rees, the planning officer.

They were also concerned about the lack of daylight in some buildings and thoroughfares, as a result of the height of the buildings. Mr Rees said it would look like "twentieth century canyons, rather than medieval alleys".

In addition, they regretted the loss of open space, the loss of sports facilities and the *emphasis on offices, which* would not bring the area to life in evenings and weekends.



St Paul's concealed by offices of Paternoster Square

During the discussion about the scheme, the committee *rejected the concern that the* developers would be deterred from carrying out the project.

"We must not lower our planning standards because we *are going through a temporary* lull in the property market," said Mr Rees.

Insurer sees growth within private health

By Alan Pike

GROWTH in private healthcare will come from pragmatists who want to *insure against specific difficulties* in the National Health Service, Mr Patrick Smith, managing director of Norwich Union Healthcare, said yesterday.

He said such customers would purchase insurance plans giving access to private *treatment if they could not* obtain it in the NHS within six weeks since they saw "no point in paying for what is already well provided for free". Addressing such pragmatists with new policies *would open up the health* insurance market.

Speaking at a FT healthcare conference in London, Mr Smith contrasted the pragmatists with traditionalists, who purchased private health *insurance as a "class statement".*

Norwich Union entered the private health insurance market last year and is aiming its products at as wide a social group as possible. Mr Smith said the *provident associations,* which hold about four fifths of the insurance market, suffered from "potential capital starvation" and would have to be financially ingenious to retain anything like their existing market shares.

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UK NEWS

Art treasures may be listed to restrict exports

By Antony Thorncroft

THE drawing up of a list of art treasures which should not be allowed to leave the UK was recommended to the minister for the arts, Mr Tim Renton, yesterday, by a committee of experts.

However, the advisers made clear that they supported the formation of a list "with reluctance": they would prefer the government to establish a reserve fund of between £15m - £20m a year to be used to retain threatened treasures in the UK.

The minister had become alarmed at the number of important works being sold abroad, notably, in the past year, the Badminton cabinet and Constable's painting "The Lock".

The current restrictions, the Waverley Rules, implemented by a reviewing committee on the export of works of art, were increasingly ineffective at a time of rising art prices which encouraged owners to send their treasures to auction.

Mr Renton asked the reviewing committee in July to come up with new proposals, but made clear that their recommendations should take account of "restraints of expenditure".

The committee believes that it is feasible to draw up a list, which would probably number around 2,000 objects, but that it would have many disadvantages, notably a reduction for owners in the worth of their works of art.

The committee believes that removing the possibility of a sale to overseas buyers could halve the value of many objects. There is no suggestion that owners should be compensated for having their possessions put on the list.

However Mr Jonathan Scott, chairman of the reviewing committee said yesterday: "We are between the devil and the deep blue sea and if there is no extra money available a list is the best option."

The list would operate alongside the current Waverley Rules, which temporarily delay the granting of an export licence to allow time for British galleries and museums to try and mount matching bids for any work of art that the committee considers should stay in the UK.

Mr Renton, who is believed to welcome a list, added an additional safeguard yesterday. In a few rare and outstanding cases, the secretary of state for trade and industry can, under emergency powers granted in 1939, refuse an export licence for a work of art. This would only be applied in exceptional circumstances, if undoubted national treasures like the medieval Mappa Mundi, which was nearly auctioned at Sotheby's two years ago, were involved.

Mr Renton is seeking more advice from the arts world and will receive submissions until the end of March.

There is no chance of any legislation before the general election. Another development which could forestall a list would be the introduction of a national state lottery, in which a sizeable sum of money, around £200m, was allocated to arts and heritage causes.

The Three Graces by Canova: a national treasure for which an export licence was refused – its future is still in doubt

Figures show $418m Bank intervention

By Rachel Johnson

STERLING'S pronounced weakness against the D-Mark forced the Bank of England to spend up to $418m propping up the currency on the foreign exchanges last month, official reserve figures indicated yesterday.

The scale of intervention was twice what the markets had expected, suggesting that the Bank's activities last month were more strenuous than was reported at the time.

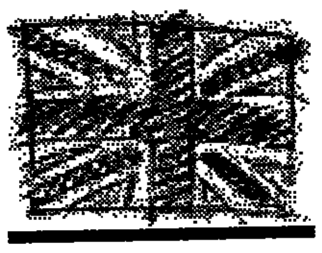
Taking account of $100m of allies' contributions to the Gulf war the underlying change was a fall of $337m, bringing the end-November total to $43.9bn (£24.9bn).

In November, sterling's fall below DM2.85 to the bottom of the grid of currencies in the European exchange rate mechanism prompted the Bank and other central banks to step in to support the pound, buying the currency and selling D-Marks to prevent sterling sliding to its floor.

Economists pointed out that much of the Bank's buying of sterling was disguised. According to Mr Roger Bootle, UK economist at Greenwell Montagu, the bulk of the Bank's purchases were carried out in the forward markets and would therefore not lower November's reserves.

But set in perspective, the figures confirm that the Bank refused to regard sterling's slide in the ERM as a crisis and were acting accordingly. Last month's intervention was tiny compared with the billions spent monthly keeping the currency down in 1987-88.

BRITAIN IN BRIEF



MPs told of Iraq supergun suspicions

The Ministry of Defence was told of suspicions that an Iraqi inquiry for steel tubing might be for military use before the order was placed and raised no objections, a House of Commons inquiry into the Supergun affair was told yesterday.

Mr Rex Bayliss, former managing director of Walter Summers, the Halesowen, West Midlands company, giving evidence to the trade and industry select committee, said that after studying the initial inquiry from Iraq he thought it looked like a giant peashooter that might be used for launching missiles.

The MoD said it could not comment further on the committee hearing which it described as a DTI matter.

Indicators signal recovery

According to the Central Statistical Office's cyclical indicators of the UK economy, a turning point in economic activity was reached in September. The shorter leading index, which locates turning points about four months in advance, suggested a turning point was reached in May 1991. This would support government claims of a second-half recovery. However, the cyclical indicators are coming under fire for giving too much weighting to the anecdotal evidence of occasionally-upbeat industrial surveys and too little to economic statistics.

Profits code on tax deductions

Businesses found to have under-declared profits cannot claim tax deductions on accountant's fees incurred on that investigation, the Inland Revenue warned.

The announcement came in a revised statement of practice issued after some accountants had appeared confused by the existing rules.

Tax deductions on accountants' fees related to the Revenue's investigations will be allowed only if a company has stated its profits correctly or with very minor inaccuracies, the Revenue said.

Blue Arrow: prosecution case

County NatWest and Phillips & Drew's handling of the Blue Arrow rights issue should be judged by a jury, not City regulators, the trial was told yesterday.

The case involved "the most arrogant disregard of market practice", Mr Nicholas Purnell QC, prosecuting, said.

Its arrogance was only surpassed by the suggestion that it should be judged not by a jury, but within the "cosy confines" of the City's regulatory structure, he said.

County NatWest, NatWest Investment Bank, UBS Phillips & Drew and five individual advisers to the 1987 issue deny the secret buying of shares amounted to a conspiracy to misled the markets about the outcome of the issue.

Mr John Mathew QC, for County, said the prosecution had not got the proof of its case off the ground, he said. Two of the original defendants, Mr Stephen Clark and Mr Alan Keat, had already been acquitted. Material misconceptions had been exposed and the particulars of the charges had been "sensationally" changed. The trial continues today.

Inmarsat buys London HQ

Inmarsat, the international satellite cooperative, has agreed to buy a headquarters buildings in City Road, on the northern edge of the City of London, for £46.5m. The 165,000 sq ft building belonged to BP Oil, although it never occupied it.

Inmarsat, which is moving because it needs more space, also bought adjacent land with planning permission for 50,000 sq ft of new building. The land, bought from National Car Parks for £3m, is for future expansion.

Schools inquiry into methods

The education secretary Mr Kenneth Clarke, pictured below, attacked "progressive" teaching methods and announced an inquiry into teaching in primary schools. The inquiry report, expected within two months, will feed into reforms of teacher training to be announced next year.

Mr Clarke said that the child-centred teaching methods used in primary schools since the 1960s had become "an all-embracing and dogmatic orthodoxy". They were neither manageable or effective. "Current practice hinders concentration; disguises time-wasting, lack of real learning and superficial questioning; and provides little useful contact between the teacher and the individual pupil," Mr Clarke said.

Funds short for companies

Small and medium-sized businesses in the north of England believe there is still a gap in the availability of long-term funding for unquoted companies, according to a survey for 3i, the investment capital group. Of 1,200 companies surveyed 53 per cent said a shortage of long-term debt and equity capital still existed.

Art auction totals £7.24m

Christie's winter auction of important Impressionist and Modern paintings and sculpture on Monday night confirmed that the recession at the top end of the market is still severe but that salerooms are learning to cope with difficult conditions. The auction totalled £7.24m, with 47 per cent unsold by value. Half the lots on offer found buyers.

Stable future seen for unions

British unions will not follow the American path to "virtual oblivion" and union membership will stabilise at about 35 per cent of the workforce, according to Professor Richard Freeman of Harvard University.

Speaking at the Centre for Economic Performance he said that union representation in the UK, about 40 per cent of the workforce, remains at a relatively high historic level and will slip only slightly during the 1990s "to a level comparable to that of Germany.

"British unions have eliminated many of their restrictive practices and British employers do not have the vehement anti-union sentiment of American employers," he said.

Gascoigne may play in Sweden

Paul Gascoigne, the England and Tottenham Hotspur footballer, could be playing first class football league by March. The midfielder damaged his cruciate knee ligaments in May's FA Cup final against Nottingham Forest at Wembley and has not played since.

And, although he has to prove his fitness to new club Lazio before May 31 for his £5.5m transfer to go through, his advisers are confident he will be back in action by March, according to reports.

That could pave the way for a place in England's European Championship Finals squad in Sweden in July.

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BUSINESS AND THE ENVIRONMENT

In the first of a series looking at environmental challenges facing the UK water industry, **Clive Cookson** examines investment in a clean supply

The thirst must be quenched

The UK water industry has embarked on a huge environmental clean-up programme, intended to make up for 15 years of under-investment before privatisation and enable Britain to meet stringent new EC directives on water quality.

The industry estimates that its improvement programme to the year 2000 will cost £28bn. Investment in clean water is expected to account for 38 per cent of the total. (Most of the remainder covers sewerage and waste water treatment, to reduce pollution of beaches, lakes and rivers.)

The Water Act 1989 requires companies to supply "wholesome" water for the domestic purposes of drinking, washing or cooking. Wholesomeness is defined by detailed regulations which incorporate all the standards of the EC Drinking Water Directive and include additional national standards. There are numerical standards for 55 parameters, ranging from aesthetic matters such as colour and clarity to the amount of bacteria, natural minerals and man-made chemicals in the water.

The first report of the government's new Drinking Water Inspectorate, released in July, pleased the industry with its conclusion that "water supplied by all companies was of high quality and much was of exceptionally high quality". Of 3.3m water samples tested during 1990, 99 per cent met the legal standards.

Most of the 1 per cent non-compliance was due to water

'As far as water is concerned, the claim that the UK is the dirty man of Europe is totally erroneous'

containing too much lead, nitrate or pesticide, or tasting and smelling unpleasant. Even in these cases the water was safe to drink according to the Water Services Association, the body representing the 10 large water companies in England and Wales. The government insists that all British drinking water will meet EC quality standards by 1995.

In turn, environmental pressure groups accuse the government and industry of being complacent. Friends of the Earth says that 10m consumers are supplied with water regularly contaminated beyond the legal limits – and that some people will have to wait until 2002 for their supplies to meet the required standards.

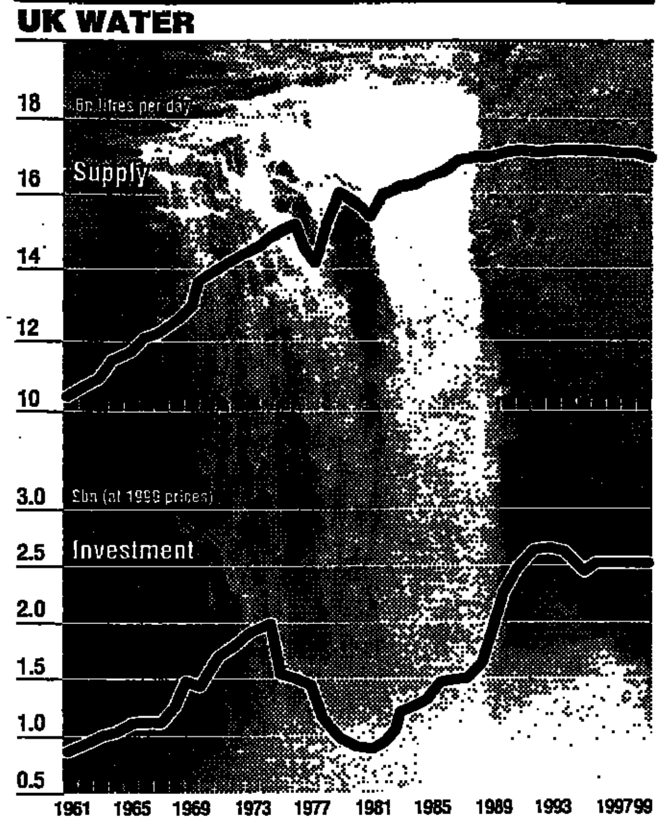
The Centre for the Exploitation of Science and Technology (Cest), based in London, recently carried out an independent evaluation of the water industry. "As far as water is concerned, the claim that the UK is the dirty man of Europe is totally erroneous," it concludes. "The quality of drinking water and rivers compares favourably with the best in the world. The one aspect on which the UK has been backward is bathing beaches and the discharge of raw sewage into the sea via long outfalls." Even so, the industry plans to spend about £4bn over the next 10 years directly on water treatment works and a further £4.8bn on water distribution.

The type of treatment required depends on the source of the water. "Groundwater" pumped out of boreholes supplies 28 per cent of Britain's drinking water. This is rainfall that has soaked through the ground over many years until it reaches impervious rock, where it forms an aquifer. Many pollutants have been filtered out naturally, so groundwater is normally purer than "surface water" taken from rivers, lakes and reservoirs. Water from lowland rivers generally requires the most extensive treatment.

The three most important steps in conventional water treatment are:

- **Clarification.** Coagulant chemicals such as aluminium sulphate and ferrous sulphate are added to make impurities come out of solution. This process produces large particles known as flocs which settle out of the water, carrying many impurities with them.
- **Filtration.** The water is either passed rapidly through sand and gravity filters or allowed to trickle through a "slow sand filter" with a large surface area. The latter contains micro-organisms which help to break down impurities.
- **Disinfection** – traditionally achieved by chlorination. It may be necessary to add a large dose of chlorine at the treatment station to kill all micro-organisms, and then remove excess chlorine before the water is pumped out to customers. In any case, it is standard UK practice to leave low doses of "residual" chlorine in the water, to deal with any bacterial contamination in the distribution system.

UK WATER



Source: Cest, from data supplied by the Water Services Association and the Water Companies Association

Conventional treatment is, however, unable consistently to bring pesticide levels down to the standard of one part per 10bn of water, required by the EC. This is close to the limit of detection and is known as a "surrogate zero" or "pseudo-zero". It is equivalent to a jugful of pesticide in the whole UK water supply.

Thames Water, the largest supplier, recently opened a prototype "advanced water treatment" plant at its Kempton Park works south-west of London. It is testing additional techniques which the company plans to introduce at a cost of £400m throughout the Thames area. The two key steps are ozone treatment followed by granular activated carbon.

Ozone is a powerful oxidising agent which breaks down most organic substances in the water, including pesticides. Activated carbon is a fine molecular filter, made like charcoal by burning wood and similar materials. It absorbs traces of organic chemicals including fragments of pesticide molecules that have been broken down by the ozone.

Neither ozone nor activated carbon is a novelty. What is new at Kempton Park is their use in combination with traditional slow sand filters. The pilot plant is also experimenting with hydrogen peroxide, another oxidising agent which boosts the effects of ozone.

As well as destroying pesticide residues, ozone acts as a disinfectant. Ultraviolet (UV) light is an alternative technique being introduced for the same purpose. For example, Folkestone & District Water Company in Kent has just installed a Hanovia computer-controlled UV disinfection system at its unmanned Drellingore pumping station. Graham Cross, the company's engineering manager, says a financial comparison showed that UV would involve higher capital spending but lower running costs than a conventional chlorination system.

Although ozone and UV reduce the amount of chlorine that has to be added to the water, the companies using these new systems still take the precaution of adding a little chlorine to their mains water. A typical chlorine concentration is one part per 10m – below the level at which most people smell or taste it.

Chlorine itself may pose a slight health risk in drinking water, because it reacts with impurities to form organo-chlorine compounds which are potential carcinogens. However, most British water engineers believe that a hypothetical slight risk of cancer is preferable to the certain risk of infectious disease with unchlorinated supplies. And they point out that most concern about chlorination originates in the US, where levels of chlorine are frequently 10 times higher than in the UK.

However, some parts of Europe – notably Amsterdam – have dispensed with routine chlorination altogether, though they monitor water quality and dose the system with chlorine if there are signs of infection. "A lot of people in the water industry regard Amsterdam as being very brave," says Tony Rachwal, water treatment manager at Thames Water's research centre.

The series will continue next week by examining how companies are preventing pollutants from entering the water supply.

Cloudy messages in bottled water

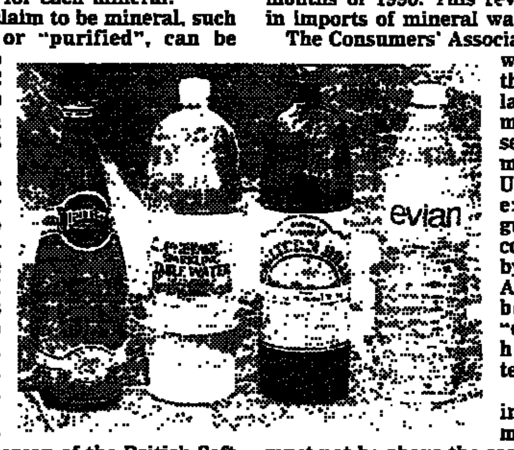
Elisabeth Tacey examines variations in purity

In Italy, France and Belgium each person drinks an average of 100 litres of bottled water a year; in the UK the average is nine litres. Yet how many people know that some bottled waters in Europe are not required by law to be any purer than the water that comes out of their taps?

In the UK, water labelled "mineral" has to conform to the Natural Mineral Water Regulations 1985, which comply with the European Community directive on such waters drawn up in 1980. These govern what sources can be used, how the water should be bottled, what analysis should be carried out and how bottles should be labelled.

Mineral water throughout the EC has to come from a recognised spring, well or bore, and be untreated except for necessary oxygenation followed by filtration or decanting, as long as this does not change the constitution of the water. Carbon dioxide can be added or removed, but this must be specified on the label. There is a concentration limit set for each mineral.

Water that does not claim to be mineral, such as "table", "spring" or "purified", can be treated. It has only to conform to the EC directive passed in 1989 on water for human consumption, as does tap-water.



In the UK, these rules are only now being incorporated into law, although the Ministry of Agriculture Fisheries and Food (Maff) says producers are already working to these standards in anticipation of them being incorporated in the near future.

"People do bottle tap-water," says Diana Anderson of the British Soft Drinks Association (BSDA). She has had inquiries from people proposing to bottle tap-water, who want to know what rules to follow.

During the last year "purified" water – filtered and sterilised tap-water – has come on to the market; the two main brands, Europure and Purefect '95, have built sales of 1.4m litres within a year.

Trading standards officers carry out spot checks on water sold in the shops, but the regularity varies according to the local authority. The source does not have to be inspected before a licence is granted for the water to be bottled and sold – information given in the application, which requires detailed mineral and organism analysis, can be considered sufficient. The officially recognised analysis does not have to be repeated, although producers are required to monitor the water and ensure the content is stable.

Maff says "the onus is on the producer" to ensure that the source and water conforms with the rules. The ministry relies on the "quite strict" Food Safety Act, which covered water as of January 1991.

While the UK Consumers' Association calls for mineral water to be required to have a higher mineral content compared with other bottled waters, a small body of opinion in the US contends that all minerals in water are harmful and that drinking water should be distilled.

However, Ron Walker, professor of nutrition at the University of Surrey, says there is no evidence that the body cannot take up inorganic minerals. And the Food Safety Advisory Centre, offering independent advice from a panel of food and nutrition experts, reckons that drinking distilled water could be harmful because it leaches minerals out of the body.

According to a survey by John Bradwell Associates imports of bottled waters into the UK have decreased in the 12 months to June 1991 by 29 per cent. Imports of the non-mineral type, however, have more than doubled in the first half of 1991 compared with the first six months of 1990. This reveals a sharp decrease in imports of mineral water.

The Consumers' Association wants all bottled waters to be bound by the mineral water regulations – and a minimum mineral content set for those defined as mineral waters. In the US, mineral water is excluded from the guidelines for mineral content of tap-water set by the Food and Drug Administration, because the name "explicitly implies a higher mineral content", says the FDA.

The mineral content in US mineral water must be stated and must not be above the concentrations laid down in the Code of Federal Regulations. It must also comply with similar regulations to those in the EC on purity, stability of the water content and labelling, and the producer must keep the source free of pollution and micro-organisms.

Geary Campbell of the International Bottled Waters Association, the US trade body, says it has set a definition of mineral water with which its members must comply. This says the water source must have a constant mineral content higher than that of other bottled waters.

"One in six people in the US drinks bottled water," she says – and this average means that "in California and New York, people drink more bottled water than tap-water".

The BSDA says that the presence of bacteria "is desirable as confirmation that the water is natural and that there has been no intervention". It argues that the tap-water count is low because it is disinfected. The microbes in natural mineral water "are of no health significance". The mineral water regulations demand that certain harmful bacteria be absent.

Time to present a united front

By Christopher Lorenz

Is fast, furious and unforgiving the right way to integrate a newly-acquired or "merged" company?

Many experienced purchasers would certainly say so. BTR, which is just starting to digest Hawker Siddeley's former empire, operates in this fashion.

So does another successful British conglomerate, Williams Holdings, which is now eyeing the half-exposed entrails of its latest prey, Racal.

But less experienced would-be players at the mergers and acquisitions game, such as British Airways and KLM, or Hoesch and Krupp, should think hard before following any particular integration formula – whether it be the conglomerates' muscular approach, or the "softly softly" style of more sensitive purchasers.

The "right" way to behave after a takeover or merger varies from case to case depending on a wide range of complex variables, according to a new international study.

This is because the value which can be created by any acquisition rests on the particular mix of "strategic capabilities" which need to be transferred between the two organisations involved, argue the authors of the study, Philippe Haspeslagh of Insead and David Jemison of the University of Texas*.

In an ultra-analytical but nevertheless helpful book about their work, Haspeslagh and Jemison advise on ways to transfer three different types of capability:

● Operating resources (combining sales forces, or sharing production facilities).
● Functional skills (the way a company develops products. Such skills can take a long time for a partner to learn).
● General management skills (strategy development, resource allocation, financial control, personnel management. These can be transferred through patient coaching, or mandated for immediate adoption).

On each of these dimensions, the most appropriate integration approach depends on how inter-dependent the two organisations will have to be, against how much autonomy they will need from each other.

Regardless of which integration approach is taken, a host of concurrent activities must occur if it is to succeed, the authors continue.

These include the establishment of a formal "interface" between the two organisations, to avoid one side swamping the other; the instilling of a clear sense of mutual purpose which extends beyond short-term objectives; and the seeking out of potential problems, rather than the repression of them by imposition of the purchaser's control systems.

Three particular problems tend to hamper the transfer of capabilities between combined companies, say Haspeslagh and Jemison, who studied mergers and acquisitions involving 20 companies:

First, the tendency to cling to the original justification for a takeover, even if, as so often, "post-acquisition reality is very different".

Second, the unexpectedly high degree of uncertainty, fear and self-defensive behaviour on the part of people affected by an acquisition.

Third, the failure to articulate a new purpose for the combined companies; in many of the acquisitions which were studied, top managers' attention peaked at the time of the deal, and they left a leadership vacuum behind them.

Haspeslagh and Jemison's book covers a broad canvas. As well as examining the integration of acquisitions, it also looks at the pre-takeover process.

It draws on the experience of companies in advertising, financial services, electrical engineering, chemicals, oil and paper making machinery.

Its many disaster stories are epitomised by the following, from a finance company acquired by a bank: "They didn't really have a strategy for us. One was developed at the time of the merger, but (it) was so far removed from the reality of what the two of us could really do together that we ended up drifting and struggled to make profits."

* *Free Press. £19.95: $29.95 in the US.*

Public speaking

First, take a deep breath

Lucy Kellaway seeks professional advice on how to project herself

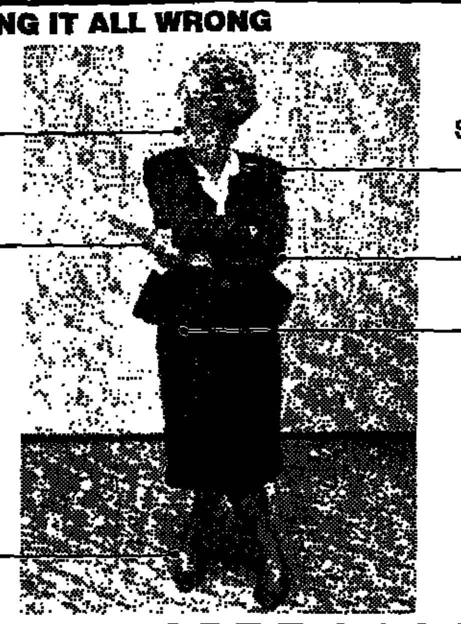
"ROGER, take your hands out of your pockets." "Don't scratch, Henry." "Michael, stop dancing around." It might have been Joyce Grenfell. But this was no nursery school, it was a Mayfair hotel in which six British managers were being taught how to give a presentation.

At the beginning of the two-day course, each was asked to give a short talk to camera. One had sweat down his back. A second gabbled, another whispered at his shoes, while a fourth stood rooted to the ground, delivering his words in a low monotone.

They were united in a desire to be more confident. All complained that as soon as they were faced with an audience, they could not explain themselves properly, were overcome by nerves or were prone to lose their thread. A manager in a construction company said that he had spent 20 years trying to avoid giving presentations, but "in the recession we have to go out and sell. These presentations are here to stay".

The key to success, said the course leader, Christina Stuart (pictured), is body language. Research has shown that almost 60 per cent of the impression that a speaker makes on the audience is visual. A further 35 per cent comes from the sound of the voice, while what the speaker says counts for a mere 7 per cent. Clearly, there is no point in staying up all night writing a speech if you do not press your trousers and do not stand up straight.

GETTING IT ALL WRONG



THE RIGHT APPROACH

According to Stuart, of Speakeasy Training based in north London, there are a few simple rules to better presentations.

● Eye contact is the most important of all. Look for a few seconds at your speakers in all parts of the room. Do not direct your talk at your notes or at the most senior person present.
● Stand with both feet rooted to the ground. Do not shift your weight from one foot to another or take refuge behind a table or lectern, as it will undermine your authority. Do not even think about giving a presentation sitting down.
● Arms can be a real give away. Don't jangle the coins in your pocket, scratch your head or push your glasses back up your nose. Instead let your arms hang by your side, free to make gestures that use the whole arm.
● The mouth must not be turned down at the corners. Try to look happy.
● Men should have their jackets on, trousers pressed. The inside button of a double breasted suit should be done up. Dress badly and your audience will conclude that you have no attention for detail.
● Vary both the volume and the pitch of your voice and the speed of delivery. Breathe deeply.
● Do not say "er", "um", or "I mean". A silence while groping for the right word is better.
● When planning the speech, think about who you are talking to. Remember that the audience will not necessarily be listening – so be clear. Try writing down the aim of the talk in one sentence. Choose just a few points. Recap. Give examples to illustrate what you are saying. Say at the outset how many points you are going to make. Sum up briefly and conclusively. "Tell 'em what you're going to tell 'em, tell 'em, and then tell 'em you've told em," says Stuart.
● Make notes on cards, rather than large pieces of paper, and then improvise around them. Rehearse out loud, imagining that you are doing so to someone who loves you.

Stuart's six students spent two days trying to adapt to these principles and criticising the attempts of the others. The result? All six were standing with both feet on the ground, with their jackets buttoned up, and holding bundles of small cards. "I've got over some personal hang-ups," said one. "I've learnt to be more expressive," said another. "I'm amazed at how much is in it, feet, hands, eyes, voice pitch," said a third.

If their eyes were darting unnaturally around the audience and if some of their hand gestures looked alarmly contrived, that was only to be expected. According to Stuart, you need to do what feels unnatural in order to look more natural. "At the moment you are all consciously competent. Until you get a lot of practice, you won't be unconsciously competent."

Casting light on capitalism

Paul Taylor looks at a course for east European managers

In mid-October, 31 middle managers from Tungsram, the Hungarian lighting manufacturer, gathered at the Duna hotel just outside Budapest for their first-ever training session in that most capitalist of concepts – marketing.

The five-day programme was organised by Strat*X, an international consultancy group specialising in computer-based training systems, on behalf of GE, the US industrial conglomerate which acquired a controling stake in the Hungarian company two years ago.

The Tungsram managers, chosen for their relative mastery of English, were the first of several hundred expected to take part in the specially designed marketing course.

GE's acquisition of the Tungsram stake was one of the biggest and boldest investments by a western company in eastern Europe following the collapse of communism.

In Tungsram, GE acquired a solid manufacturing company founded 95 years ago with a good reputation for innovation, 10 plants straddling Hungary and Austria, 17,000 employees and 7 per cent of the growing European market.

However it was also a company without any clear strategic direction – 40 years of state ownership had taken its toll. To stem the company's losses and get the manufacturing process right, the US parent installed a new senior management team led by Hungarian-born George Varga as chief executive, cut the workforce substantially and began to rationalise the product line.

The challenge of changing the Tungsram "corporate culture" and revitalising its now 13,000-strong workforce fell to Jim Conheady, brought in by GE as vice-president of organisation and manpower development. Teaching English was an early priority, but he also introduced differential pay and set up a workforce communications system. Training programmes, delivered in Hungarian, were organised on basic management issues like personnel and finance.

However, teaching practical marketing was a particular problem. "The socialist philosophy did not recognise markets as such," explains Conheady. Enter Strat*X and James Thorne, the group's London-based managing director.

After visiting Tungsram in the summer Thorne suggested a tailor-made three-part training course, believed to be the first of its kind run in eastern Europe. "Tungsram was always very successful in technological and production terms and earned an enormous amount of respect from its competitors," says Thorne.

"But it was weighed down by bureaucracy and the burden of producing to a state-imposed plan. We wanted to help the Tungsram managers develop a shared vision and strategy and to enhance their skills in the fundamentals of strategic marketing."

Thorne also realised that a course based heavily on US examples would be unpalatable. "We could not tackle this as though we were bringing the great wisdom of the capitalist world to these eastern European managers and executives," he says.

The course he designed covered the basic marketing disciplines, including profitability analysis, pricing strategy, customer and competitor analysis, marketing dynamics and planning.

Phase one comprised the week-long training session in the Duna hotel, while the second, six-week phase involved four teams of Tungsram managers undertaking real-life projects like working out how to improve margins or which product lines to focus on.

The final phase, under way now, will see the teams presenting their projects to senior management in workshops – with a commitment from George Varga that good ideas will indeed be implemented. So far, the programme has gone well although initially the Tungsram managers were a little apprehensive. "It was a slow start," admits Thorne.

Conheady contends that "the hidden advantage" of GE's Hungarian acquisition "has been the calibre of the people." Lending weight to his statement, one of the Tungsram management teams on the training course notched up a record high score on the Markops computer programme.

FT LAW REPORTS

Writ can be served on reinsurer in Johannesburg

OVERSEAS UNION INSURANCE LTD AND OTHERS v INCORPORATED GENERAL INSURANCE
Court of Appeal
(Lord Justice Parker, Lord Justice Stuart-Smith and Lord Justice Mann):
November 25 1991

A CLAIM by insurers identifying reinsurance contracts under which they allege monies are due to them is sufficient to show a good arguable claim in contract for service out of the jurisdiction without detailing the amounts due to each insurer. And in deciding whether it sufficiently appears that the case is a proper one for service out the court is not required to ascertain whether the reinsurer's defence of illegality may be effective to extinguish his alleged liability.

The Court of Appeal so held when allowing an appeal by the plaintiff insurance companies, Overseas Union Insurance Ltd and others, from Mr Justice Gatehouse's decision setting aside issue and service of a concurrent writ on the defendant reinsurer, Incorporated General Insurance Ltd, in Johannesburg.

LORD JUSTICE PARKER said that by a writ dated April 6 1988 the seven plaintiff insurance companies instituted proceedings against the defendant, a South African insurance company, for money allegedly due under five reinsurance contracts.

The plaintiffs were members of the Accolade Pool which comprised Singapore, Finnish, Icelandic and Cayman Islands companies.

Neither the defendant nor any of the plaintiffs, save one, were authorised under section 3 of the Insurance Companies Act 1974, to carry on insurance business in Great Britain. One plaintiff was authorised in respect of certain classes of business.

The plaintiffs were granted leave to issue a concurrent writ and to serve the defendant at its address in Johannesburg.

The defendant applied for discharge of the order and for a declaration that the court had no jurisdiction.

Mr Justice Gatehouse ordered that issue and service be set aside, and granted the declaration sought. The plaintiffs appealed.

The writ alleged that five reinsurance contracts had been made between the plaintiffs acting through Accolade Underwriting Agency (AUA) and the defendant, and that the defendant had failed to pay sums due under those contracts.

The contracts were identified by description and period. The total amounts alleged to be due were £210,528, $583,390 and Can$18,132

The affidavit filed in support of the application for leave alleged that each of the plaintiffs had given AUA, a Guernsey based company, authority to accept insurance and reinsurance business on its behalf, and to place reinsurance contracts protecting the risks accepted.

It also alleged that Accolade Underwriting Managers (AUM), a London based company, had acted as agent for AUA in placing reinsurance contracts protecting the risks accepted by AUA.

The affidavit identified the five contracts and exhibited the cover notes. It asserted an express or implied term of the contracts that premiums and claims should be paid in London, and that demands for payment had been made without satisfactory answers.

On the basis of the writ and and supporting affidavit there was sufficient ground for the original *ex parte* orders to be made.

On the application to set aside there was a considerable body of further evidence.

The defendant's case was that the plaintiffs had not established to the required standard of proof that the claim fell within any of the heads of RSC Order 11 rule 1; and, it said, England was not the appropriate forum.

In *Metall und Rohstoff [1989] 3 WLR 563* Lord Justice Slade said a plaintiff seeking leave to serve out of the jurisdiction must show first, that he had a "good arguable claim on the merits"; that there was a strong probability that the claim fell "within the letter and spirit" of one of the subheads of Order 11 rule 1; and third, that England was the forum in which the case could "most suitably be tried in the interests of all the parties and for the ends of justice".

Mr Justice Gatehouse held that the plaintiffs had not satisfied the first requirement because: first, they had not shown a good arguable case on the merits for the amounts due to them since no particulars were given showing the details; and second, the underlying insurances in the case of six of the plaintiffs were *prima facie* illegal as having been made and carried out in London in breach of the 1974 Act, and there could therefore be no recovery under the reinsurances in the light of *Phoenix [1988] QB 216*.

He held there was a strong probability that the claim fell within Order 11 rule 1(1)(d)(iii) in that the contracts were by implication governed by English law; and that England would be the most appropriate forum.

The plaintiffs challenged the conclusion that they failed to make out a good arguable case on the merits.

There was no dispute that the contracts had been made. Each was identified and the amount claimed under it was stated.

In the correspondence leading up to issue of the writ the defendants said no more than that the amounts claimed did not tally with their records. It was not suggested that nothing was due.

There was plainly a good arguable case that moneys were due under each of the five contracts. That appeared to be hardly disputed.

The plaintiffs had produced evidence that they were contracting parties and that monies were due. That was enough.

With regard to illegality, section 2(1) of the 1974 Act provided that no unauthorised person should carry on insurance business of specified classes in Great Britain. By section 11 anyone who did so was guilty of an offence and was liable to imprisonment or fine.

The defence sought to be set up by the defendant was that the plaintiffs in respect of underlying insurances and the reinsurances were guilty of criminal offences.

The plaintiffs' case was that there were no breaches of the Act, and that if there were, the contracts were nevertheless valid and enforceable.

There were thus issues of fact and of law involved. The legal issues stemmed from *Bedford Insurance [1985] 1 QB 966* and its endorsement obiter in *Phoenix*.

The factual and legal issues were so intertwined that the legal issues could not be resolved until the facts were found.

Where the plaintiffs, apart from the illegality point, showed a good case on the merits, as they did, but the defendant sought to reduce its prospects below the required threshold by a defence which depended on establishing that they had been guilty of a criminal offence, a heavy burden must lie on the defendant.

If the matter were to proceed to trial the defendants would have to establish the offence to, if not the same standard as in a criminal trial, at least to a very high degree of probability.

That being so it was not enough to conclude that there was a *prima facie* case of illegality and that the plaintiffs had therefore not shown a good arguable case on the merits. A judge faced with that situation would have to conclude that on the material before him there was at the very least a strong probability that the offences had been committed.

Order 11 rule 4(2) provided that leave to serve out should not be given "unless it shall be made sufficiently to appear that the case is a proper one for service out of the jurisdiction". That was the only guidance to proper application of the Order.

In *Korner [1951] AC 869* where there was no dispute that contracts had been made, Lord Tucker said "the judge was not concerned to inquire closely to ascertain ... whether or not the defendants might have a sufficient set-off to extinguish their alleged indebtedness thereunder".

There was only one requirement, namely that it should be made sufficiently to appear that the case was a proper one.

On the basis of Lord Tucker's speech it appeared very doubtful if it was right even to consider a special defence such as illegality, the burden of proving which was plainly on the defendant.

The appeal was allowed.

Their Lordships agreed.

For the Plaintiffs: Peter Goldsmith QC, David Railton, and Andrew Burrows (Stephenson Harwood).

For the Defendant: Anthony Clarke QC and Simon Rainey (Clyde & Co).

Rachel Davies
Barrister

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TELEVISION

Why this mindless pandering to 'yoof'?

More and more television journalism appears to be aimed at children, or "kids" as they are called with cloying matiness by the 40-year-olds who run the 'yoof' industry. Worse, much of this journalism assumes that "kids" are not only young and therefore lacking experience of life, but that they are without exception stupid, uneducated, and unable to concentrate on anything for more than 45 seconds. Worst of all is the assumption that "kids" simply won't stay with a programme unless you dub in a disco beat of mind numbing monotony. So far as television's yoof departments are concerned the young people who pack the promenade floors of the Albert Hall or sixth form debating societies simply do not exist. If you are a teenager then so far as the yoof merchants are concerned, you must be as thick as two short planks and obsessed with pop music.

Of course that is not the whole story. In the week that saw the transmission on BBC2 of the final programme in Norma Percy's outstanding series *The Second Russian Revolution* it would be disgraceful to pretend that there are no exceptions. This was one of the most electrifying bits of television journalism I have ever seen. Virtually everybody who was anybody on either side of the attempted coup against Gorbachev was interviewed, from the former KGB chief Kryuchkov who explained "We put extra guards round Gorbachev's villa then cut off all his phones" to the man who climbed up onto the tank as Yeltsin made his inspiring speech of defiance, and who smiles ruefully at the camera as he remembers worrying about dirtying his white shirt.

This is a remarkable enough programme considered solely as a historical document: it is as though we possessed a film from 1917 showing us not only what Lenin, Stalin and Trotsky had to say at the time, but also detailed explanations from Kerensky, Protopopov and Tsar Nicholas of precisely what they were doing. The description by one of those present of Gorbachev, Raisa and their children sitting on the floor of their dacha gaol, desperately turning the little Sony radio with the fading batteries to improve reception and hear what was happening in Moscow, is utterly gripping. But in addition to the history the programme rises to an enthralling crescendo of drama with the shared description from many of those involved of the race to the dacha to find Gorbachev before the leaders of the coup and their heavies could spirit him away.

Much of this might be conveyed in a book, but when the account of Gorbachev's return to Moscow is illustrated with shots of Rutskoi, armed with a machine gun, peering nervously out of the door of the Aeroflot jet to see which side has control of the airport, you realise how much better served by newsreels future generations are going to be than we have been. We may tell ourselves that the storming of the Winter Palace in 1917 really did look the way it appears in those familiar bits of film, but it seems all too likely that the fine directorial hand of Eisenstein lies behind them.

Nor was this the only impressive piece of television journalism on screen last week: there were others in slots as disparate as *Bookmark* and *Equinox*. The point is not that all good journalism is disappearing from television, but that an awfully large proportion of the new stuff seems to be of the "mindless kids" variety. The trend became noticeable some time ago with series such as *Network 7* which mixed pop music, a "tabloid" approach to journalism, gossip, and fashion with on-screen stunts. Not every new series has taken up every constituent of that formula (and the tediously unhelpful visual style with irrelevant colour washes, cameras on their sides, ribbon captions fighting the pictures for attention, and all the other malarkey so beloved of directors has been largely abandoned, happily). However, a lot have adopted some of it.

The most obvious inheritor is *The Word* which is shown twice a week on Channel 4 and combines pop music with studio chat, occasional outside reports, and on-screen stunts. Last week there was chat with *Carry On* actress Barbara Windsor and a group called Right Said Fred, an American reporter took a camera crew to a hen party in Redditch, presenter Terry Christian interviewed and reported on a comedian named Chubby Brown who specialises to such an extent in foul language that nobody will employ him on television, and a doctor in the studio injected a young woman's lips with collagen, a technique now popular with American wannabes who currently all wannabe like the young Bridget Bardot or Mick Jagger (though naturally they don't see it in quite such historic terms) with those thick protuberant lips.

In *The Word* journalism seems to be seen solely in terms of entertainment. The same is not true of *DEF II – Reportage* on BBC2 which appears to have more serious ambitions. Last week's programme concentrated on crime among young people, reporting from the US and commissioning an opinion poll on attitudes to crime (78 per cent of young people think the penalties for joy-riding are far too light). This was a sensible enough subject for the series, but the way in which the programme is put together makes you wonder about the producers' vision of their target audience.

On the one hand each part is kept very short as though the attention span of a dragonfly is assumed to be the norm. On the other hand a large proportion of the information is contained in a form which any producer will tell you causes trouble even with educated and dedicated adult audiences in Britain: subtitles. It is hard to believe that the BBC really imagines that the audience which wants the banga-banga-banga, bang-bang-bang disco beat which they dub onto this programme is also the audience which wants to read long screen captions.

Even *DEF II* does not flit from item to item quite as fast as BBC1's most recent wildlife series *Lifesense* which on Monday this week dealt with bees, bats, black rats, turtles, holy cows, naked Jain monks, storks, fruit bats, catfish, finches, falcons, cats, scarabs, sheep and snakes (Italian and American) in 28 minutes. A similar approach is taken by Channel 4's newish archaeology series *Down To Earth* which bounces like a ping-pong ball from Greek bas reliefs to English gold bracelets, from a fenland fort to fairy tales about King Arthur, terrified, it seems that we might be saying "Good grief this item has already lasted 55 seconds let's switch over and find something more pacy". Incidentally, why did the makers of *Down To Earth* imagine that we might want to hear pop singer Billy Bragg on the subject of the Cerne Abbas giant? His remarks were banal and the most interesting thing he could have told us he chose to ignore: why he was wearing knee length culottes.

On-screen stunts, pop music and chat: 'The Word' presenters Amanda de Cadenet, Terry Christian and Katie Puckrick

Channel 4's *4-Thought* decided that the best way to deal with the problems of Maastricht was to mount a spoof game show with a panel of seven "competitors" who were quite unrepresentative of the British population, as was shown by the show's own telephone poll, and who never actually had to compete for anything. When Channel 4 launched *Europe Express* last year their report from Vienna was firmly tied to *The Third Man* with zither music, a reporter standing in Harry Lime's famous doorway and an interview on the big wheel. So guess what *Schofield's Europe* decided to do for their Vienna report last week? Right: zither music, same doorway, big wheel, the lot. Sachertorte too, of course.

There is no reason why those who prefer their journalism tabloid should not be served by television as well as the press, though it is worth remembering that for decades *World In Action* has been proving that you can produce popular and easily accessible television journalism with an entire half hour devoted to one subject and not a hint of a disco beat. The question is how much of the new yoof material we need, and whether it is beginning, as I suspect, to be seen by broadcasters as a valid substitute for the real thing.

Christopher Dunkley

Design for Living

RICHMOND THEATRE

There were not many people at the Richmond Theatre on Monday. The theatre, which was not a bad place to start with, has been lavishly refurbished. Richmond has one of the highest IQs per head of population in the country. *Design for Living* is one of Noel Coward's best plays. THe Glasgow Citizens' Theatre, whose show this is, has a reputation of being among the best regional theatres in Britain.

The dress circle where I sat was half empty. From there, the limited view of the front stalls suggested that they were even emptier, and there was not much laughter either.

Yet perhaps the people of Richmond were right to stay away: this is an almost unspeakable production. Coward's play depends on style and wit. The style has been eliminated and some of the best lines omitted. *Design for Living*, you may remember, is about a *ménage à trois* extended over time. Gilda, the designer, loves both Leo, the playwright, and Otto, the artist. Leo and Otto also like each other, but can't have Gilda together. The comedy is that they tend to turn up at inconvenient times. It is the eternal triangle. None of the trio much likes outsiders.

Over the years they flit from Paris to London to New York, Gilda sometimes seeking to escape. In the end, they fall back into each other's company: artists and free spirits defying the respectability of the world around them. If the original play has a fault, it is that the design is too perfect: understand the basics and you can guess what is coming.

James Graham

Laurance Rodic and Roberta Taylor

Still, there are pleasures to be had in a train running smoothly and on time. The Glasgow production has none of that. Part of the scene where Gilda is dining alone and Otto turns up to join her is omitted. That means losing one of Coward's most characteristic exchanges. Otto: "Funny, how much in love with you I was." Gilda: "We'll have a good laugh about that when you've finished your pudding."

The dropping of Coward's jokes, however, is as nothing compared to the dropping of Cowards's style. Not only do his original characters speak well; they also dress well. Philip Prowse's direction has them in ill-fitting clothes, nearly all black or white, whether dressing gowns or suits. The smart sets are reduced to a vulgar display of bottles and drinking sherry and brandy from the wrong glasses. Perhaps there is irony here: it is not the irony intended by Coward. In short, it is downright perversity.

Probably the citizens of Richmond are right to stay away, though they must have had very superior intelligence to know that in advance. One comes back to the mis-match. Here is a lovely theatre in the heart of educated suburbia, a company with a reputation and one of the finest of English comedies. Yet nothing in this production brings the components together. There must be some lesson to be drawn when people fail to turn up, even out of curiousity.

The only credit goes to Roberta Taylor as Gilda who looks by her detachment as if she wishes she were playing under better leadership. As an approach to theatre, the performance as a whole is close to suicidal.

Malcolm Rutherford

Sculpture conserved on Merseyside

Bruce Boucher describes the goings on in an old Great Western Railway shed

Conservation is flavour of the month in big international museums. Highly successful exhibitions are now devoted to it, and the cleaning of any major masterpiece is bound to provoke discussion, if not polemic.

While some museums in this country pay lip service to the role of conservation, the National Museums and Galleries on Merseyside have recognised its importance by starting a new centre which will make Liverpool the focus for sculpture conservation in northern Britain and a serious rival to the national museums in London. The location is the Pier Head of the Albert Docks, already the site of the Maritime Museum and the Tate of the North and earmarked for new museum premises to be created with the support of the Merseyside Development Corporation over the next 20 years.

The first building in a proposed new conservation complex was originally a railway shed, a relic of the heyday of the Great Western Railway 100 years ago. James France, keeper of Conservation for the Merseyside Museums, recognised the building's potential for the conservation of large sculptures and the open space behind the shed will allow construction of a new building comprising some 2500 square metres. Over the next five years, the whole area will be given over to a range of conservation activities reflecting the great variety of Merseyside collections, which range from the Walker and Lady Lever Art Galleries to the Museum of Labour History and the Maritime Museum.

The Merseyside Museums have already pulled off a major coup by enlisting the services of John Larson and Anne Brodrick, the senior sculptor conservators of the Victoria and Albert Museum and world-recognised experts in their field, as the first conservators for the sculpture centre.

The Henry Moore Foundation in Leeds has agreed to support one of the two permanent sculpture conservation posts for three years and has also said it would consider providing financial aid for students training in sculpture conservation. The support of the Henry Moore Foundation in this area could be crucial to the growth of the centre, for although painting conservation is well established in various parts of Britain, sculpture conservation has chiefly been taught in a course run jointly by the V&A and the Royal College of Art. This is only one of several ventures which the Moore Foundation has pursued in order to promote sculpture in Britain. Already lectureships have been endowed at Leeds and York Universities and, in unobtrusive ways, the Foundation now plays a major role in the well being of the arts in this country.

The National Museums and Galleries on Merseyside believe that conservation is the backbone of any effective museum service and are spending accordingly. Already the budget for conservation in the Merseyside Museums is on an equal footing with other national museums, and an impressive array of state-of-the art equipment has been assembled for Larson and Brodrick.

The rehabilitation of the Great Western shed on Albert Docks provides a flexible open space with adjacent offices for working on a variety of sculptures concurrently; works can also be loaded and unloaded under shelter and then be properly manipulated inside. Visitors to the centre can learn about the various problems of sculpture conservation as well as those of paper, painting, ceramics, and ethnographic exhibits.

Merseyside wants the centre for sculpture conservation to develop gradually and will allow time for serious scholarly projects to evolve. Several ideas are now being mooted, among them the restoration of the Ince Blundell collection to its original setting, the Pantheon at Ince Hall near Liverpool. The Ince Blundell collection is one of the most famous 18th-century assemblages of antique sculpture in the country, second only to the Towneley Collection at the British Museum, and has languished in storage for over a generation.

It was the creation of Henry Blundell, scion of a Roman Catholic land-owning family whose religion prevented him from taking an active role in public life. Blundell maintained close contacts with papal Rome, and his interests in classical sculpture were in part a compensation for the limited scope for his talents in other aspects of English life.

In an era of contraction, the boldness of the Merseyside project is heartening, but with six million visitors to the Albert Docks this year the complex has every right to be in a bullish mood. The arrival of the sculpture conservation centre is an additional draw and signals a further tilt away from the national museums in London, at a time when the V&A appears to be scaling down its commitment to the field.

BBC Symphony Orchestra

ROYAL FESTIVAL HALL, RADIO 3

On Monday the BBC Symphony Orchestra was conducted by Mark Wigglesworth, his second concert with the orchestra in five days. Max Loppert's review here of Wigglesworth's Mahler 10 was severe – "in many respects a shambles" – and while technically the sequel was more accomplished (the BBCSO seemed to know the scores far better than it had the Mahler) many of the same shortcomings could still be detected. The programme certainly had a fresh, attractive look: Bartók's Music for String, Percussion and Celesta and *Miraculous Mandarin* were separated by Mahler's *Kindertotenlieder* sung by Linda Finnie, who gained steadily in assurance after an uncertain start, and must have been undermined by the instability of the orchestral accompaniments. Franz Lehár's waltz *Gold and Silver* was the unlikely finale.

No British orchestra can have played the Bartók scores more often in the last 20 years than the BBCSO: the strict coaching begun in that repertory by Boulez must still have a residual effect. Wigglesworth was able to approach that basic level of accomplishment, though some of his tempi in the *Mandarin* overtaxed the brass especially, but his conducting rarely managed to capitalise upon it. When the Music for Strings was pushed towards its climaxes it was done in the most obvious, excitable way; as the *Miraculous Mandarin* unfurled its mixture of sex n' violence, the episodes were coloured brightly enough but remained staid and under-characterised.

It was a pity tLat the Lehár was included at the expense of the complete *Miraculous Mandarin*; Wigglesworth conducted only the suite from Bartók's ballet, with the concert ending that never seems anything more than abrupt and contrived. And the point of rounding off with that piece of Viennese high camp seemed tenuous; though the BBC strings tucked into its phrases as if they had been starved of real music for too long, the rhythms remained earthbound, learnt by rote rather than informed by musical instinct.

Andrew Clements

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Peter Eotvos conducts the ASKO and Schoenberg Ensembles in music by Orban, Kurtag and Ligeti. Tonight and Fri in the Kleine Zaal: Prazak Quartet plays string quartets by Haydn, Smetana and Dvorak. Fri, Sat and Sun afternoon in Grote Zaal: Netherlands Chamber Orchestra plays Schubert, Hummel and Shostakovich (6718 345)

■ ATHENS

Concert Hall 20.30 Yehudi Menuhin conducts the Greek Radio Symphony Orchestra and Chorus in the first of two Mozart concerts. Tonight's programme: Requiem and First Violin Concerto, with Hu Kun. Tomorrow: Menuhin conducts the Symphony No 29 and Requiem. Fri: Alexander Myrat conducts a Mozart and Mendelssohn concert. Sat and Sun: Alun Francis conducts the Berlin Symphonic Orchestra in music by Scalcotas, Beethoven and Dvorak (722 5511)

■ BIRMINGHAM

Symphony Hall 19.30 Simon Rattle conducts the City of Birmingham Symphony Orchestra and Chorus in Verdi's Requiem, with soloists Andrea Gruber, Luciana D'Intino, Dennis O'Neill and John Tomlinson, repeated on Sat. Fri and next Wed: Handel's Messiah (021-212 3333)

■ COLOGNE

Philharmonie Tonight, starting at 23.30, there is a special midnight concert heralding tomorrow's 200th anniversary of Mozart's death. Tomorrow at 20.00: Helmuth Rilling conducts a Mozart 1791 programme. Fri: Arturo Tamayo conducts world premiere of Niccolo Castiglioni's new orchestral work. Sun at 11.00: Valery Gergiev conducts the Gurzenich Orchestra in Prokofiev's Seventh Symphony. Sun at 20.00 Handel's Messiah (2801)

Opernhaus The repertoire is currently restricted to Hansel and Gretel (tomorrow), Jochen Ulrich's Tanz Forum production of Romeo and Juliet (Fri) and Die Zauberflöte (Sat and Sun), with further performances next week. The only other repertoire this month is Mozart's Entführung on Dec 25 and 28 (221 8400)

Schauspielhaus Torsten Fischer's new production of Schiller's The Robbers opens on Fri, also next Tues. Strindberg's Miss Julie can be seen at the Kammerspiele on Sat and Mon, and Jean Genet's Les Bonnes (The Maids) in the main theatre on Sun (221 8400)

■ FRANKFURT

Alte Oper 19.30 Krzysztof Penderecki conducts the Frankfurt Radio Symphony Orchestra in Shostakovich's Sixth Symphony and Penderecki's Violin Concerto, with Christiane Edinger, repeated tomorrow and Fri. Sat: Vivaldi concert with the Munich Bach Colegium. Sun at 11.00: Yuri Ahronovich conducts the Frankfurt Opera Orchestra in Dvorak's Stabat Mater. Sun at 19.00: Hans Zender conducts a concert performance of Mozart's La clemenza di Tito (1340 400)

Opernhaus 19.00 Steven Sloane conducts Les contes d'Hoffmann. Tomorrow: Eugene Onegin. Fri: Shostakovich's The Nose. Sat: Lohengrin. Sun: ballets by Balanchine and William Forsythe (236061)

■ GENEVA

Victoria Hall 20.30 Kazimierz Kord conducts the Orchestre de la Suisse Romande in Beethoven's Coriolan overture, Sibelius' Violin Concerto with Joshua Bell and Szymanowski's Stabat Mater (292511)

■ GENOA

Teatro Carlo Felice 20.30 Fabio Luisi conducts Otto Schenk's production of Un ballo in maschera, with a cast led by Giuliano Ciannella, Paolo Gavanelli, Katerina Ikonomu and Viorica Cortez. Further performances, with alternating casts, on Fri, Sun afternoon and next Wed (589329)

■ GOTHENBURG

Konserthus 19.30 Neeme Järvi conducts the Gothenburg Symphony Orchestra in Mozart's Masonic Funeral music, Piano Concerto No 20 with Tatyana Nikolaeva and Nielsen's Sixth Symphony. Repeated tomorrow and Fri (167000)

■ HAMBURG

Staatsoper Màrco Arturo Marelli's new production of Cośi fan tutte can be seen tomorrow, Sat and next Tues, conducted by Bernhard Klee. The cast includes Karita Mattila, Susan Quittmeyer, Deon van der Walt, Boje Skhovus and Tom Krause. John Neumeier's production of Sleeping Beauty will be given on Fri, and Siegfried Jerusalem sings the title role in Bob Wilson's staging of Parsifal on Sun (351555)

Deutsches Schauspielhaus Tonight at 19.30: Wilfried Minks' new production of Chekhov's The Cherry Orchard, in a new German translation by Andrea Clemen. Sat: Michael Bogdanov's production of Shakespeare's Romeo and Juliet. Sun: first German production of Brian Friel's Dancing at Lughnasa. Alan Ayckbourn's Absent Friends, in a new production directed by Ulrike Maack, is being given a series of morning and afternoon performances at Kampnagel over the next three weeks, starting at 11.00 on Fri (248713)

■ LEIPZIG

Kurt Masur and the Gewandhaus Orchestra mark the bicentenary of Mozart's death tomorrow with a concert in the Gewandhaus at 20.00, featuring the Requiem and the Piano Concerto No 27, with soloist Michael Schönheit (7132 252). Lothar Zagrosek conducts Die Zauberflöte at the Opernhaus on Fri, and Eva Marton sings the title role in Tosca on Sat (7168 273)

■ NEW YORK

MUSIC AND DANCE

New York State Theater 20.00 City Ballet opens its Christmas production of The Nutcracker, daily except Mon till Jan 5 (870 5570)

Metropolitan Opera 20.00 Rico Saccani conducts Aida with a cast led by Leona Mitchell, Lando Bartolini, James Morris and Paul Plishka, also Sat. Tomorrow: Entführung (362 6000)

THEATRE

● Beggars in the House of Plenty: John Patrick Shanley's play takes place over 30 years in the history of a Bronx family where two brothers grow and adapt differently to their father's hostile and hard-edged manner (City Center Stage II, 131 West 55th St, 581 7907)

● Park Your Car in Harvard Yard: riding with Jason Robards and Judith Ivey makes for a relaxing outing as they star in a two-character play by Israel Horovitz, focusing on the relationship between an irascible retired high-school teacher and his feisty live-in housekeeper. Directed by Zoe Caldwell (Music Box, 239 West 45th St, 239 6200)

● Dancing at Lughnasa: the original Dublin Abbey Theatre cast in Brian Friel's play set in Donegal in 1936 (Plymouth Theater, 236 West 45th St, 239 6200)

● The Crucible: a new production of Arthur Miller's play. Previewing, opens next Tues (Belasco Theater, 111 West 44th St, 239 6200)

● Ticketron answers inquiries and sells tickets (246 0102)

■ ROME

Teatro Olimpico Tomorrow at 21.00, Marcel Marceau stars in an evening of mime. Also Fri, Sat and Sun (3234 890)

Teatro dell'Opera Tonight at 20.30, Vladimir Fedosseyev conducts the Orchestra of the Teatro dell'Opera in Stravinsky's Firebird, Tchaikovsky's Francesca da Rimini and Prokofiev's Second Violin Concerto, with Boris Belkin. Repeated tomorrow and Fri (488 3641)

■ STOCKHOLM

Royal Opera 19.30 Swan Lake in a production by Natalie Conus, also Sat at 15.00 and Mon. Tomorrow: concert performance of Mozart's opera Il re pastore. Fri: Daniel Börtz's new opera The Bacchantes. Next Thurs: Ingvar Wixell sings the title role in a new production of Simon Boccanegra (248240)

Konserthuset 19.30 Leonard Slatkin conducts the Stockholm Philharmonic Orchestra in John Corigliano's Fantasia on an Ostinato, Beethoven's Seventh Symphony and Mozart's Prague Symphony and Masonic Funeral Music, also tomorrow. Sun: Georg Solti conducts a gala concert with Kiri te Kanawa. Mon: song recital by Anne Sofie von Otter (244130)

Berwaldhallen 12.00 Okko Kamu conducts the Swedish Radio Symphony Orchestra in a lunch concert featuring Mozart's Fifth Violin Concerto and Crusell's Concertante for clarinet, bassoon, horn and orchestra op 3. Fri at 19.30: Okko Kamu conducts the Crusell and Mahler's arrangement for orchestra of Beethoven's String Quartet op 131 (784 1800)

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0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly - (global business report with James Bellini
2130-2200 (Thurs) Talking Heads - international issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

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Wednesday December 4 1991

Major and the social charter

IT HAS long been evident that social policy will be one of Mr John Major's biggest problems at the Maastricht summit.

Ever since Mrs Thatcher, in December 1989, refused to sign the EC social charter, it has been an article of Downing Street faith that implementing it would amount to "socialism by the back Delors". Having fought for every trench in ministerial council, Britain now faces a flanking manoeuvre to bring new areas of EC employment policy within the zone of qualified majority voting, thus ripping the back Delors off its hinges.

Mrs Thatcher and Mr Major have been right to resist much of what is proposed in Brussels. The EC may have stopped worrying about Eurosclerosis, but it still has, compared with key competitors, a rigid labour market and one whose ability to import flexibility, via immigration, is under challenge for other reasons. It is of pre-eminent importance, as the community grapples with economic convergence and the rigidities of fixed exchange rates, that it does not also saddle itself with labour market rules so tight that differences in economic performance express themselves increasingly as unemployment. An over-regulated EC labour market means weaker members states cannot compete on the basis of cheaper labour costs and makes it harder for more marginal workers – the young, less-skilled and those who are only able to work part-time – to get jobs at all.

There are a number of reasons, however, why the UK's lone stand may no longer be the best way of prosecuting this case, of which the most obvious is that it will not succeed in Maastricht. Mr Major wants a deal; he cannot have one if he insists upon a blocker's charter for Britain on all social questions save those pertaining to health and safety.

Positive reasons

But there are also more positive reasons for a new stance. A Britain constructively engaged in the social debate is more likely to influence its detailed evolution; good pointers are the way the UK has fought for the single market and the enhancement of competition policy.

From the inside, Britain's objective would be to secure a framework of minimum standards individuals should be able to expect in the labour market of an advanced economy – very much the "instrument embodying European aspirations" Mr Delors spoke of in launching the social charter. At the same time, Britain would also be in a better position to promote measures to enhance labour market flexibility – such as mutual recognition of qualifications and transferability of pension provisions. From the inside, it may also be easier to resist any drift from a charter clause on "equitable wages" towards a job-killing EC-wide minimum wage.

House delinquent

If it were not cast as the house delinquent, Britain would also find it had allies on a case-by-case basis inside the social affairs council, making the question of of qualified majority versus unanimous voting less critical.

Mr Major's aim at Maastricht should be to accept an extension of majority voting in return for more precise treaty language to circumscribe the community's ambitions. This approach would also curtail the commission's taste for smuggling in important social directives under the false banner of health and safety in order to sidestep a British veto. Debating working hours, as ministers did yesterday, as if they are a health and safety issue is not only constitutionally disingenuous; it creates an atmosphere of alarm inappropriate to the subject matter.

In principle, however, there is no reason why the EC 12 should not agree that no worker should be forced to work more than, say, 48 hours a week, and, equally, that no worker should be prevented from exercising his freedom to do so. This would have the effect of stating a sensible guideline, while leaving member states free to incorporate it into national law and practice. The same goes for the managerially desirable goal of encouraging companies to communicate with their workers.

It is time for Britain to look the bogeyman of the social action programme in the eye and say: "boo!"

Takeovers, Euro-style

THE EXCESSES of the takeover boom of the 1980s were no great advertisement for the Anglo-Saxon market in corporate control. But the abortive merger talks between continental European tyre giants Pirelli and Continental does not suggest these things are handled better elsewhere.

After the announcement this week of Pirelli's retreat, excess capacity in the tyre market will continue to be a nagging problem for leading companies in the industry both in and out of Europe. The combatants look weaker at the end of this acrimonious courtship and the employees have good reason to worry about where their employers are taking them.

As for the shareholders, the battle has revealed once again the high price that minorities are often obliged to pay for their participation in markets dominated by insiders. It was a long and dirty fight from which few emerged with credit.

The case that is often made for a German-style capital market rests on the assumption that the absence of pressure from predators' shareholders provides a more helpful climate for long-term investment decisions in which banks, related firms and employees all play a constructive part.

There is a predisposition in Germany to place emphasis on product quality and market share rather than shareholder value. Dividend payout levels tend to be around a third of those that apply in Britain; and the evidence suggests that German companies are far more inclined to cut the dividend in hard times than to reduce capital investment.

Great merit

Whether this system, in which ownership and control rests in most cases with insiders, is quite as consensual as it is sometimes made out to be is a moot point. Its great and widely acknowledged merit is that the banks will stand by their clients in bad times and play a more active part in corporate restructuring than their Anglo-Saxon equivalents. The drawback is that it appears to deliver slow or ineffective answers to problems of overcapacity or industrial decline, especially when compared with Japan.

The German steel industry is one obvious case in point. Another is tyremaking. It took an inordinate time for Continental to restore its fortunes and dividends in the 1970s; and its performance more recently, after an acquisitive growth spurt in the 1980s, suggests something less than alacrity in dealing with problems in its US and European markets.

Active market

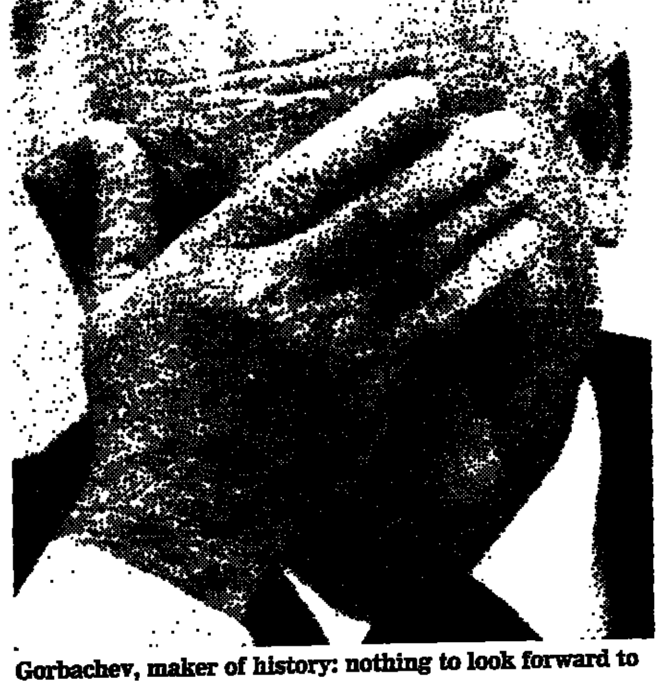
On the face of it, a more active market in corporate control might appear to have something to offer here. And it may be that Krupp's recent market raid on steel and engineering group Hoesch will offer a better example in this respect than the Pirelli-Continental saga. But the restricted voting arrangements and large family shareholdings that prevail across much of the German stock market mean that less than 10 per cent of German quoted companies are estimated to be vulnerable to outside bids.

Community legislation is admittedly pushing slowly in an Anglo-Saxon direction on this score. Yet it remains far from clear that the British takeover system offers a better model for handling problem companies or industries. Even though most British quoted companies are, in effect, up for auction to the highest bidder daily, those companies that would most benefit from a change of ownership and control do not necessarily fall under the hammer. And where takeovers do take place, the academic evidence does not suggest that improved performance usually follows.

The case for continental Europeans to borrow from the English speaking countries is arguably stronger in relation to the treatment of minorities. Shareholders are the residual risk-takers in all these systems. But for Pirelli to deny that it was indemnifying its concert partners against a fall in the value of Continental shares, only to reveal huge losses on just such an operation this week, is taking the principle to blind extremes. On this evidence, the dismal reputation of the Italian stock market is richly deserved.

John Lloyd says Ukrainian independence is the end for Gorbachev

USSR RIP



Gorbachev, maker of history: nothing to look forward to

If there was a day on which the Soviet Union could really be said to have ceased to exist, it was yesterday. On that day, the result of the Ukrainian election struck home to the world and to the states of the former union. Any notion that recognition of the new republic of the Ukraine would be withheld in favour of continuing support for the "centre", and for President Mikhail Gorbachev, disappeared. Mr Gorbachev himself appeared on nationwide television to warn of "catastrophe" if the disintegration already under way were to take place. Even India, long a loyal friend to the Soviet Union, announced it was establishing direct ties with the Soviet republics because of "increasing problems in mutual relations" with the centre. In Havana, President Fidel Castro said gloatingly that "we are witnessing a catastrophe in the Soviet Union. It is our duty not to copy something that is not needed by anyone".

Mr Gorbachev's appeal to the republican parliaments to sign the union treaty, repeated on television last night, used the same, inflated language as did his foreign minister, Mr Eduard Shevardnadze and his "prime minister" (chairman of the Inter-republican Economic Committee), Mr Ivan Silayev. All have warned of coups, inter-republican and inter-ethnic conflicts on a grand scale, even the threat of nuclear exchanges. Economic disaster is treated as so obvious it hardly needs to be mentioned. It is hard to see how much more blood-curdling they can be in their pursuit of the union treaty – now agreed in principle (but not even initialled) by only seven of the 12 republics, and awaiting ratification by the parliaments to whom Mr Gorbachev directed his appeal.

It will fall on ears already deafened by such rhetoric over many months, and on legislators who, in many republics, regard the union as something to flee from. The Ukraine is in the first flush of its independence, has recognition from Canada and will get it from the US and the western European states. Moldova and Georgia pursue their own, increasingly tense and (in Georgia's case) bloody routes to independence. And while the other states may be prepared to give grudging assent to a confederation, they are now being forced into an independence they do not want by the actions of Russia; the republic that is much the biggest in the disintegrating union has embarked on its own course of economic reform using what is left of the central institutions as its levers.

Foreign experts working with the new Russian government, headed by President Boris Yeltsin, say they are shocked by the extent to which Mr Gorbachev has disappeared from the day-to-day calculations of power: "he hardly exists," said one yesterday. Away from the kindly support of fellow presidents such as Mr George Bush or Mr François Mitterrand, Mr Gorbachev appears shrunken, his appeals a thin wail against a howling wind. Even the supportive Mr Nursultan Nazarbayev, newly elected as president of Kazakhstan, said on Monday that Kazakhstan was prepared for full autonomy if the union could not be made to hold.

This is a pity, for Mr Gorbachev's warnings are more than mere rhetoric. It is clear that the Soviet Union stands on a terrifying precipice and – given its size and its arms – it could drag much down with it if and when it falls. A second, perhaps better executed coup is seen as unlikely only because of the scale of repression which would presumably have to be organised if the coup leaders tried – as the last ones did – to restore the powers and authority of the union. Yet such leaders could take their text from Mr Gorbachev himself. If the present scale and speed of disintegration is really leading to the consequences which he forecast last night, if the rest of the world is now in the kind of danger which he says it is, then it would not just be a patriotic duty to restore order, but an "internationalist" one as well, in the proper sense of that word.

How likely is it that we will see a man or men on white horses, riding in to save the Soviet Union from implosion and explosion? Mr Gorbachev, in an interview with Literaturnaya Gazeta, said that "perhaps they are even organising one [a coup] now" – and speculated that it would come from the military-industrial sphere, or from the now formally banned Communist party. In his briefing yesterday, Mr Andrei Grachev, the presidential press spokesman, spoke of the danger of the army "becoming the instrument of unconstitutional political forces which may be revived".

The military is in a febrile state. There has been no post-coup purge of any dimensions: officers who were sympathetic to the aims of the coup remain in place, or have been moved sideways. Not yet able to cope with the effects of being pushed put of central and eastern Europe, it faces demands from a number of republics – the newly independent Baltics, but also Ukraine, Georgia and Azerbaijan – that it hand over its bases and property on their territory and push off. On Monday, Mr Czeslavas Stankiavicius, chairman of the Lithuanian Supreme Soviet, ordered an immediate transfer of assets from the armed forces to his republic and suggested it was no longer compulsory for the Lithuanian authorities to supply military bases with water. He was speaking after the adoption of a law on "the unlawful possession by Soviet armed forces of property on the territory of the Lithuanian republic".

Mikhail Gorbachev has not been able to escape the iron law of politics – that every politician's life ends in failure

This is courting conflagration, and the army, cowed since the coup, has begun to answer back. Two weeks ago, a statement from the ministries of defence and internal affairs warned that any attacks on bases, anywhere, would be fought off with the use of force, a line which contradicted the earlier emollience of Mr Yevgenny Shaposhnikov, the defence minister, and suggested that he is not fully in control.

The question of control – as Mr Gorbachev put it last night, the crisis of the state – underlies everything. The evaporation of power at the centre has not meant that it has passed to the republics. Even the apparently dominant figure of Mr Yeltsin is now being challenged, (though so far not frontally) by his own vice-president, Mr Alexander Rutskoi.

Mr Rutskoi, opposed to rapid price liberalisation and favouring a crackdown on rebellious Russian republics, displays an itch for the kind of authoritarian populism which Mr Yeltsin has been accused of in the past but has in fact rarely shown. The man most often seen as an alternative Russian president, Mr Anatoly Sobchak, mayor of St Petersburg, is now under fire in his own city; he and his wife are accused of luxurious living as the city grinds by on ration cards. Mr Sobchak, in Paris this week on an official visit, said that he was helpless before the activities of the mafias who control the markets.

In other republics, leadership is either driven by a still surging nationalism, as in the Baltics, Moldova, Georgia and now Ukraine; or it is in the grip of the old communist bosses repainted, as in Central Asia and Azerbaijan. This last is a state of affairs which gives stability, but only so long as new forces – especially Moslem groups, with which the old communists are seeking to ally themselves – are too weak properly to challenge them.

Winter has officially begun this week. The weather, mild for Russia, begins to turn colder, the snow begins to lie. The queues are longer, food more scarce, the volume of complaint much louder. Serious clashes, with loss of life, now occur almost daily in Azerbaijan, Armenia, Georgia and Moldova. In Moscow and other cities, Soviet citizens from southern republics, distinguishable by their darker skins and Asiatic features, are reviled as thieves and cutthroats, and told to go back to their independent states.

The tense, nervous man who appeared on Soviet television last night to talk of catastrophe was Mr Mikhail Gorbachev, Man of the Decade, Nobel Prize winner, maker of history. He has not been able to escape the iron law of politics – that every politician's life ends in failure. Indeed, he has come to be dominated most mightily by the huge forces he has set free. It is a personal, as well as a national, tragedy. The rest of the world now hopes it will not become an international one – and wonders what to do.

Marxism yesterday

Malcolm Rutherford on a magazine whose time has passed

The final issue of Marxism Today, known until very recently as "the theoretical and discussion journal of the Communist party", appears this morning. As had become its wont, it is a glossy affair with articles by intellectuals such as Mr Eric Hobsbawm and Mr David Marquand and farewell tributes by Sir Peregrine Worsthorne, the former editor of the Sunday Telegraph. You can probably buy it at WH Smith, which indeed is where the magazine made its breakthrough on to the respectable bookstands in 1980.

Not too much significance should be read into its departure. Mr Martin Jacques, the academic-turned-editor, says that its demise became inevitable with the collapse of communism. No one wanted to read a paper called Marxism Today any more, he claims. Certainly Mr Jacques had long ceased to want to edit it.

He has had perhaps an even harder time than some of his best friends knew. In the early 1980s he considered running for general secretary of the British Communist party. He was a post-1968 entrant; that is, after the Soviet invasion of Czechoslovakia. Without Marxism Today, he says, there might have been virtually no British Communist party in the 1970s to speak of. What interested him was Euro-communism and the attempt by national parties, notably the Italian, to loosen the shackles with Moscow and move towards political pluralism.

Marxism Today

In the early 1980s there was a specifically British challenge. The left was disintegrating into fundamentalists and revisionists. Marxism Today joined the debate on the side of the latter, opening its pages to interviews with politicians of all hues. One of the last and best was with Mr Chris Patten, the chairman of the Conservative party.

Nevertheless, the paper was more a *succès d'estime* than a lasting contribution. It was much talked about, but the number of copies sold never rose above 15,600 a month on an annual basis. Circulation began to fall with the events in Tiananman Square. Marxism Today, as Mr Jacques admits in a final article, had no answers to the questions it raised. It probably took "Thatcherism" more seriously than most Conservatives, but could find no "ism" to put in its place.

Mr Jacques himself had problems with the Communist party hierarchy throughout, far more than ever emerged in public. He was attacked again and again for not encouraging party members to write for the magazine. Naive as it may sound, he says that he did not know until very recently that the British party had long been directly financed from Moscow. He finally gave up his membership last summer. To have gone earlier, he has always argued, would have attracted undesirable publicity along the lines "Marxist editor quits party".

In the end, all that may be no more than an historical footnote to British politics in the 1980s. In another way, however, the passing of the magazine is a matter for regret. Marxism Today is not the first intellectual publication to go under in recent years.

New Society, first edited by the liberal Tory, Sir Timothy Raison, merged with the New Statesman and has practically disappeared within it. The Listener was abandoned by the BBC in its pursuit of economies. If you think that is a small matter, ask yourself where you might now expect to see the text of the Reith Lectures, once a hallmark of intellectual life. The old Third Programme talks disappeared long ago.

Last year Encounter disappeared as well. That was in many ways the most significant loss of all. An English language intellectual monthly, it was as likely to be read in Japan and the mid-west of the US as in Britain. Some debates – such as Anthony Crosland on the future of socialism or Nancy Mitford on "U" and "non-U" – might never have taken place in such a lively form without it.

Encounter folded for lack of funds. It was almost saved at the last minute by an American institution which then backed out because there was not even a small financial contribution forthcoming from Europe. Marxism Today wound up because it was an idea whose time had past. The two magazines had completely different ideologies, yet they had one thing in common: they were papers for which intellectuals could write freely, not necessarily at great length, but longer than they could in a newspaper and reaching a wider public than through an academic journal.

Some of the literary reviews, such as the New York Review of Books and the revamped Times Literary Supplement, try to plug the gap. But there is a limit to what can be done in book review form, and large numbers of subjects will now go uncovered in the traditional form of the intellectual magazine for general readers. The main sufferer will be politics in its widest sense. Writers like Mr Hobsbawm and Mr Marquand have lost their outlets. One wonders who will pick up the baton and create a new international Encounter Today.

OBSERVER

Waiting in the wings

■ One of Downing Street's grandest appointments, special adviser to the prime minister on foreign affairs, is to go to Sir Rodric Braithwaite, the modest, musical diplomat who has been ambassador to the Soviet Union since 1988.

Number 10 has kept its plan secret as, strictly speaking, the job of special adviser is to "lapse" at the general election. But if John Major wins, Sir Rodric – who retires in May – has been lined up to take over from Sir Percy Cradock, the China specialist who has done the job for over five years.

It is all part of a planned revamp of the PM's team. When Mrs Thatcher was in charge, Sir Charles Powell, her private secretary, behaved like a foreign policy supremo. But this is a role that Stephen Wall, Major's private secretary, has shown no relish for.

Sir Rodric could find himself inheriting some of Sir Charles' influence. His achievement, even in Foreign Office terms, is more than usually remarkable. The least pushy of diplomats, he will find himself whispering in John Major's ear as soon as the UK assumes presidency of the European Commission at the middle of next year.

Also, he will become one the select few to bypass the strict FO retirement-at-60 rule. Sir Nicholas Henderson was pulled from retirement in 1979 to go to Washington; but a better precedent for Sir Rodric is Sir Anthony Parsons, who became the PM's adviser on foreign affairs after retiring in 1982.

Dynamo Ken

■ Plenty of British parents will sympathise with Kenneth Clarke's bid to roll back the child-centred education revolution launched by the publication of the Plowden Report in 1967. But estimable though the education secretary's objectives are, it does seem somewhat perfunctory to give the report team just two months to complete their work. Lady Plowden's committee took 3½ years to reach their conclusions, no doubt one reason why they were so influential on education professionals.

It also seems strange that the future education of Britain's tots should be left to three men – especially given the prime minister's declared intention of bringing forward more women in senior positions in the public service. Or does Mr Clarke believe that women like Lady Plowden are too soft for the nation's good?

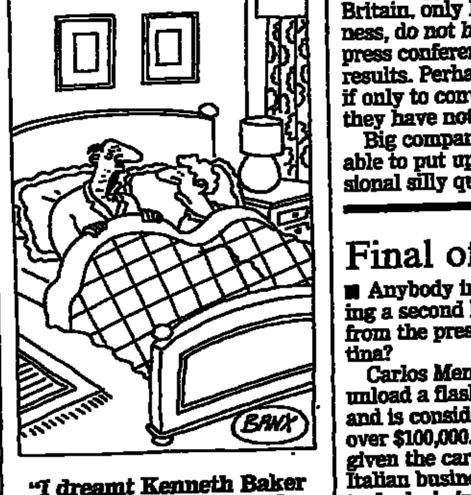
Eastern promise

■ Just how far the Brits lag behind the citadel of technological innovation – Japan – is established by a glimpse of the hit products in the two countries. Whilst personalised *karaoke* sets are among the more popular items for the person who has everything (save dignity, perhaps) in Romford this year, they come nowhere on this past year's fave raves in Tokyo.

You have to go back to 1982 to find *karaoke* sets mentioned as popular buys, when they fell behind soy milk, deluxe instant noodles, mini skirts and personal computers in the hit list.

While luxury beer, Italian restaurants and disposable cameras came in the Japanese top 20 in 1990, this year's more popular joys have included recycled paper and goods, banana-based food and drinks, luxury chocolates and mini-drinks for hangovers. With some 60 per cent of Japanese men over 20 drinking alcohol every day, Rohto Pharmaceutical's hair-of-the-dog tonics notched up Y500m (£2,17m) within four months of launch this year, doubling initial projections.

Presumably the boom in personal fax sales – some 1.5m will be bought by Japanese in 1991 – will help out those who find the pick-me-up insufficient for a quick start to the busy working day.



"I dreamt Kenneth Baker resigned and replaced Terry Wogan"

Open up

■ No one seems able to remember if Lord Hanson and his team have ever held a public press conference, rather than a private briefing. Today, Britain's seventh biggest company, employing over 80,000 people worldwide, will publish its full year results and as usual it passes up a golden opportunity to explain itself to the world at large.

No doubt there are good reasons why Hanson feels it better to communicate in private with the press and the investment community. For a start, a public press conference would probably be hijacked by lots of irritating questions about corporate governance, race horses and such like, diverting attention from the success of the group's underlying businesses.

Nevertheless, among the dozen biggest companies in Britain, only Hanson and Guinness, do not have an annual press conference on their results. Perhaps they should, if only to convince people that they have nothing to hide.

Big companies should be able to put up with the occasional silly question.

Final offer

■ Anybody interested in buying a second hand sports car from the president of Argentina?

Carlos Menem is trying to unload a flashy Ferrari 348 and is considering any offer over $100,000. Menem was given the car a year ago by Italian businessmen wanting to do deals in Argentina. He couldn't understand what the fuss was all about when the press demanded he donate the car to charity.

But now he has changed his mind and agreed to auction the car and give the money to an unspecified good cause. The only trouble is the price. When he first tried to sell the Ferrari in May, no one felt like paying the $120,000 reserve price for a car worth only $70,000. This time he is aiming lower, setting a minimum of $100,000.

Bids by one o'clock tomorrow please, to Banco la Ciudad de Buenos Aires, Calle Esmeralda,660.

Question time

■ Thought for the day. If you ring the European Commission's London office on 071 973 1992 (geddit?) and ask for the information department, you are politely told that it takes questions only between 2pm and 5pm.

Perhaps it just reflects the low level of British interest in the EC. But Observer suspects not.

PERSONAL VIEW

The tough questions we must all answer at Maastricht

By Helmut Schmidt

The number of meetings during the past 24 months at which European leaders and foreign ministers have contemplated the future of Europe is almost uncountable. The labels were different, but the persons have remained more or less the same – and so has the oratory. Many of them ought to be reminded of Shakespeare: "I wasted time, and now doth time waste me." Next week they meet again at Maastricht. Will they once more waste time and effort, or will they make urgent and necessary decisions?

The British have a choice to make between the European currency unit (Ecu) and the D-Mark. If they opt for European monetary union (Emu) and for a single currency within the common market, they will have a very good chance to develop the City of London as one of the world's most important financial centres. They would also be able to draw on the vast future pool of German capital – in Ecu.

If on the other hand they opt to say "to hell with the absurd idea of replacing sterling by the Ecu" and maintain their monetary sovereignty, they may at first feel happy about bravely resisting Franco-German pressure. But then, in a decade, the British will wake up to the fact that any importance of sterling will have evaporated. This will be either because the Ecu will have become, in its global importance, equal to the dollar (and ahead of the yen); or, even worse for the British, because the D-Mark will have become by far the dominant currency in Europe, leaving little room for financial business in other European currencies or for autonomous monetary policies elsewhere in the EC. Even more than it does today, the Bundesbank will by then direct monetary policy purely on the basis of German interests.

The French, Dutch, Italians, Poles, Hungarians and all the rest are faced with a clear choice. On the one hand they can opt for progress in European political integration – where the latest accord on a Franco-German army corps is a step in the right direction. On the other, they can choose to hesitate – and find that Germany, in 10 years, is too powerful a neighbour to handle. If the latter happens, it will prove a development almost impossible to correct.

The Germans, as well, have a choice to make. It is over the nature of European political union. The political class in Germany is aware of the qualms of all our neighbours.

In order to allay the concerns of our neighbours, German leaders want to have their own country closely integrated into the European Community. But in calling for a fully-fledged political union, the Germans are asking for more than the French – and much more than the British – are prepared to agree. It is understandable that Chancellor Kohl has tried to stipulate a positive decision on political union as a *conditio sine qua non* for his agreeing to monetary union. But if he sticks to that condition, he will wreck the ship of Emu and Ecu. So in Maastricht, Mr Kohl will have to make his choice. The Chancellor's statement in the Bundestag last week preparing parliament for a relatively modest treaty on political union indicates that he is moving in the right direction.

The flood of events in Europe over the last two years has perplexed and confused west European leaders who, understandably, had not been prepared to deal with fundamental changes of this kind. The time has now come for them to face the facts – and confront possible dangers ahead. The political and economic collapse of the Soviet Union is endangering the three Baltic republics, Poland, Czechoslovakia, Hungary and others. They need shelter and support. The Community will have to accept them as future member states. It is therefore desirable to associate them with the Community and unilaterally to open our markets for their produce, to allow their manufacturing industries to adapt to open competition in quality and prices.

Schmidt: 'a clear choice'

Long before full membership of these new sovereign democracies, the Community will have to accept full membership of Austria, Sweden, and Finland (as well, probably, as Norway and Iceland). Within 15 years or so the Community will probably consist of 24 member states.

We have to decide now whether we prefer widening the Community before deepening its institutions, or whether we should intensify the Community before this goal becomes impossible. We should plainly choose the latter. I am not talking of additional regulations for flowers and corks; I am talking of a move to a single currency. A so-called common market with 11 currencies would be a very uncommon market in the world's economic history. It would mean wasting the chance to create proper economies of scale, and would result in the Community remaining inferior to north America, and even to Japan.

The Dutch government's proposal for monetary union is not well suited to move us along this path. Most of its more than 80 pages contain superfluous complications and compromises for the sake of national prestige. The worst of it is the lack of a fixed date for the ultimate introduction of the Ecu as the only European legal tender, and the invalidating clause under which any country may opt out before reaching the ultimate phase. Such a phoney agreement is not worthy of ratification. It is necessary that those countries which are willing to commit themselves firmly at Maastricht should introduce the single currency by January 1 1997.

In the area of defence, the disappearance of the threat of armed conflict between an imperialist Soviet Union and the west has opened up the field for smaller conflicts inside the former Soviet territories and in the Balkans. They may spill over into other European countries. On top of such dangers, it is unlikely that the Gulf war marks the end of a chain of six major wars in the Middle East since 1945.

All these risks make it necessary that the Atlantic alliance retains some military muscle. But the US is likely to concentrate much more than in the recent past on its neglected domestic needs. More than in the past, the European democracies will therefore have to prepare their own defences. The Western European Union during the 1990s will have to be combined with the European Community, of course within the Atlantic alliance; *the Franco-German corps* may become the nucleus of this future European force.

It is possible that the great statesmen at Maastricht will indeed take the right decisions to shape our common future. It cannot however be excluded that they will simply haggle and squabble, exploiting the usual summit TV opportunities *and end up approving* agreements committing themselves to nothing. Then we will have to regard them not as statesmen, but purely as mediocre politicians. If they want a motto for Maastricht, they must turn to Shakespeare: "We must take the current when it serves, or lose our ventures."

The author was German Chancellor from 1974-82

Robert Mauthner

The persistent odd man out

A more integrated Europe, not an eroded sovereignty, is what Britain should be seeking

FOREIGN AFFAIRS

Britain's aloofness from the continuing process of European unification has been, to outsiders, one of the most incomprehensible features of its post-war history. It has been a member of the European Community since 1973. Yet too frequently during the last 20 years, its attachment to the Community has appeared so reluctant that other member countries have asked themselves why the British wanted to join in the first place.

Contrary to the general perception in the UK, it has not been successive British governments' questioning of this or that common policy or regulation which has most upset Britain's partners. With hindsight, even the French government has come to recognise that British insistence on reforming the Common Agricultural Policy was not only justified, but urgently required to restore some semblance of sanity to the Community's finances, let alone international trade in farm products. Equally, in the run-up to the Maastricht summit, Britain's objections to specific aspects of the proposed treaties on monetary and political union might have been treated with more sympathy if its fundamental attitude to European unification had not been in doubt.

Seen from the Continent, successive British governments, with the notable exception of that of Mr Edward Heath, who took the UK into the EC, have failed to make a clear political commitment to European integration. Internal dissent over Europe within the ruling party, as at present, repeatedly appears capable of undermining the basic political choice in favour of progressive European unification, made at the time when Britain signed the Treaty of Rome. Moreover, *national interest in Britain* continues to be measured almost entirely according to criteria relating to independence and sovereignty, rather than in terms of the benefits to the nation and its people, which could be derived from a pooling of sovereignty.

The rumpus over the use in the draft treaty on political union of the phrase "federal goal", as a description of the objective towards which the Twelve should be heading, is a case in point. In order to placate the nationalist "anti-European" wing of his own party, Mr John Major, the prime minister, has insisted that the term should be dropped from the preamble to the treaty. Yet it is generally recognised that the word "federal" has a different connotation in Britain than it has in some other European countries. It is interpreted in so many different ways that Britain could easily subscribe to "a federal goal" without in any way committing itself to the much-abhorred bureaucratic "super-state". All that it would be doing would be to endorse a process, the end product of which could just as easily be a highly-devolved federal state on the German model as a highly-centralised Brussels government. Indeed, Chancellor Helmut Kohl told the Bundestag only last week that "we Germans in no way want a Europe in which everything is regulated by a central administration".

Britain could easily subscribe to 'a federal goal' without in any way committing itself to the abhorred bureaucratic 'super-state'

It is this failure by Britain to recognise publicly the irreversibility of the process of European unification that has complicated the negotiations leading up to next week's Maastricht conference, as much as the disagreements over a single currency, an independent European central bank and common foreign and defence policies. Ever since Britain stood aside from the European Coal and Steel Com*munity in the early 1950s, the* British have fundamentally misunderstood, or seriously underestimated, the efforts of continental Europeans to create a new order which would put an end to the fratricidal wars between them. The final objective has always been essentially political. Jean Monnet, the most eminent of the European Community's founding fathers, realised that the political goal could be reached only on the basis of a high degree of economic integration. A customs union and a single market have never been considered the end of the road.

It is normal that France and Germany, as the main continental powers that have suffered most from intra-European quarrels and military conflict, and the smaller and more vulnerable nations such as Holland and Belgium, should feel the need for a closely integrated Europe more acutely than Britain. In the years immediately following the Second World War, some justification could still be found for the belief that Britain, as one of the principal victors of two world wars, could do things better on its own than in tandem with constantly squabbling Europeans. Yet subsequent developments, both in Britain and the Community, have given the lie to these traditional British arguments.

The economic prosperity achieved by the members of the EC and their ability to act as a single unit in international trade negotiations has already given the Community a place on the world stage which no medium-sized nation like France, Germany or Britain could aspire to on its own. Recognising its growing political as well as economic cohesion, the US has elevated the Community to the status of a major negotiating partner. It has also become a pole of *attraction for the new democ*racies in eastern Europe, seduced as much by the prospect of becoming part of an integrated political system which would guarantee their security, as by any economic benefits which membership could bring them. Indeed, it is one of the ironies that the enlargement of the Community, which has been so strongly advocated by Britain, is likely to require an extension of majority voting for joint decision-making, rather than the dilution of supranational powers which the British government would like to see.

The British government was not necessarily wrong to demand that progress towards further unification should proceed at a more moderate pace than the headlong rush advocated by the most ardent integrationists. To mention but one vital issue, it was clearly unrealistic to advocate – as the European Commission did in its original proposals on political union – that fundamental foreign and defence policy decisions should be taken by majority vote at this stage of the Community's and individual member states' development. But Britain's proposal that its right to opt out of a single currency – which has now virtually been conceded *by its partners – should* be extended to all Community members is just the kind of demand which makes other governments feel that Britain wants to scuttle the whole Emu project.

Being "at the heart of Europe", to use Mr John Major's phrase, certainly does not mean accepting every proposal for further monetary and political integration, made even by a majority of the other member states. It does, however, require more than a purely negative stance. What has been lacking on the British side are constructive suggestions on how European unification can be taken forward. A government which has constantly complained about the lack of democratic control of the Community's executive bodies could have been expected, for instance, to come up with imaginative proposals for an enhanced role for the directly-elected Parliament.

Above all, the British people have to be made aware that a stable and prosperous Community, *in which a renascent Ger*many is firmly integrated, is even more in Britain's true national interest than the conservation of sovereignty in areas where it has already been substantially eroded. It is highly regrettable that these foreign policy priorities have so far been reversed, at least in the way they have been presented to the public.

LETTERS

BA and cabin crew talks

From Mr Robert Ayling.

Sir, I refer to your report, "BA flights face disruption as cabin crews vote for action" (December 3). I wish to make it clear that British Airways is currently involved in discussions on new working and pay agreements with the British Airlines Stewards and Stewardesses Association (TGWU), which represents about half of BA's 10,000 cabin crew, and we are confident of reaching a satisfactory conclusion.

Less than half the TGWU members who were balloted have voted in favour of mass meetings. As you reported, the ballot result was 2,070 in favour: 564 against. More than 2,000 of those balloted did not vote.

Of more significance is the fact that the proposals under discussion (in particular those relating to maximum flight times on long-haul) have been recommended for acceptance by Cabin Crew 89, the union which represents the vast majority of long-haul crews.

We do not expect any disruption to our services during the present discussions which centre on improving operating and working practices for the benefit of passengers, the airline and British Airways employees.

Robert Ayling,
director of marketing and operations,
British Airways,
Heathrow Airport
Hounslow TW6 2JA

Yield ratio: fairly crude, but valid, indicator

From Mr Adrian FitzGerald.

Sir, Messrs Dunlop and Warburton (Letters, November 26) question "the significance of the yield ratio as a guide to anything important". Moreover, they find it "tempting to conclude that the absolute value of the yield ratio is meaningless".

Their first complaint appears to be that the yield ratio does not relate to the total returns on gilts and equities. This is not the case. The expected total return on equities depends on dividend yield and future dividend growth. Investors look for this return to exceed the total return (redemption yield) on gilts by a risk premium. Mathematically, it can be shown that the yield ratio is a function of both dividend growth expectations and the risk premium on offer in the market. Historically, a yield ratio of less than two has indicated that the prospective total returns from equities exceed those available from gilts by a healthy premium. A yield ratio approaching, or above, two and a half has tended to indicate that growth expectations are too high and/or the equity risk premium on offer is just not sufficient.

Undoubtedly, one must expect secular shifts in the sustainable levels of the ratio. But these shifts will be caused principally by significant changes in real dividend growth expectations, not by the structural or technical supply/demand factors suggested by Messrs Dunlop and Warburton. A plank of their argument, for example, is that "asset sales ... introduced huge new equity issues for utilities and telecommunications, raising the dividend yield for the whole market". According to my calculations, the current yield on the equity market would fall by just five basis points from 5.09 per cent to 5.04 per cent if these issues were to be removed!

Of course there are much more sophisticated techniques for measuring risk premium availability. But let's not knock the yield ratio too hard. It is a fairly crude, but nevertheless valid, indicator.

It is useful to reflect that it was common practice to pooh-pooh the yield ratio back in the heady days of 1987. It is also useful to note that equity investors could have added considerably to overall performance over the past five years by taking action at yield ratio levels below two and above two and a half.

It is right to question continually the significance of any market indicator. The answer in this case is that it remains a reasonably successful guide to things important.

Adrian FitzGerald,
Pomathorn Farmhouse,
Penicuik, Midlothian

Not far to look for answer to opera problems

From Mr Jeremy Isaacs.

Sir, Antony Thorncroft chided the Royal Opera House (*Arts: "A pox upon this ritual* hand-wringing", November 30) for complaining that the increases in Arts Council grants to our three companies were at less than half the level of the increase passed on to the council by the Office of Arts and Libraries, and much less than was needed.

In the same paper, Andrew Clark ruefully pointed out ("Pop goes the opera") that our prices for opera – Arts Council grant for next year, £8.5m – are now the highest in Europe, and rising. Quite so. Low subsidy means high prices, and vice versa.

Mr Thorncroft, may I present Mr Clark?

Jeremy Isaacs,
general director,
Royal Opera House,
Covent Garden,
London WC2E 9DD

Argument for more regional autonomy

From Mr Neil Turnbull.

Sir, Mr Michael Blakey claimed (Letters, November 26) that regional government in the north-east would undermine the basis of support for the Labour party in the region because "voters in the region might begin to question whether some of the blame might lie locally".

As a supporter of north-east regional autonomy I wholeheartedly agree with this argument. What better argument could there be for a regional government than this? Devolv*ing power to the regions would* enable people in those regions to develop a more accurate picture of their economic future.

In my view the British regions are in dire need of such a large dose of reality and the debate about regional government in the north-east brings out this point quite nicely. Local autonomy and local responsibility are fundamentally related.

Neil Turnbull,
205 Eastbourne Avenue,
Bensham,
Gateshead,
Tyne and Wear

Benefit in kind?

From Mr Andrew Shaw.

Sir, The Court of Appeal has held that Mr Kenneth Baker, the home secretary, is personally responsible for contempt. He is to appeal and the taxpayer is to meet the cost of his actions. Will the Inland Revenue regard this as a benefit in kind and, if not, what new rules will consequentially apply to non-ministerial officers and others throughout the UK?

Andrew Shaw,
Loxford House,
Epsom,
Surrey

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution

If there is doubt, the status quo should be upheld on trading

From Mrs Marian Mollett.

Sir, Richard Branson of Virgin (Letters, November 29), and Mr A J Askham, a lawyer, and Mr Jim Hodkinson, of B & Q (Letters, November 30), all show the frailty of their arguments by the language they use: Branson, "Virgin megastores now opens many of its stores on Sunday because *we believe* (my italics) it is legal to do so"; Askham, "The facts of the matter are that retailers *are advised* that the Sunday trading ban is inconsistent with European law and hence is unenforceable. *Until* that issue is finally resolved ..."; Hodkinson, "... it is *utterly unclear* whether the Shops Act has had any force since the UK acceded to the Treaty of Rome".

If there is doubt, the status quo should be upheld until the *point is resolved by the Euro*pean Court. This is not a life or death issue, or one involving fundamental freedoms, where one might argue that because of new doubts about the previously accepted law it can be ignored in order to achieve some basic justice.

Branson and Hodkinson can*not claim their views* have been denied a hearing; they can claim that exploiting doubt brings easy cash in hard times.

Marian Mollett,
71 Emmerdale Road,
Kew, Richmond,
Surrey TW9 2DN

FINANCIAL TIMES
Wednesday December 4 1991

European Commission report claims manufacturers received $41bn government grants

US 'subsidised aerospace industry'

By Andrew Hill in Brussels and Paul Betts in London

THE EUROPEAN Commission has accused the US commercial aircraft industry of benefiting from "massive and systematic" government support worth up to $41bn over the past 15 years in a report to be released today.

The Commission asked the Washington legal firm of Arnold & Porter to prepare the report to counter US allegations that the European Airbus programme has distorted competition by receiving more than $25bn worth of government subsidies since it was set up 20 years ago.

Claiming US government aid has been critical in helping US aircraft makers maintain their competitive position in the world market, the study will be used by the EC to reject US complaints against Airbus.

The US has filed two complaints against the European aircraft programme with the General Agreement on Tariffs and Trade (Gatt). Washington has objected to German government exchange rate support for Deutsche Aerospace, the *consortium's German partner*, and has filed a complaint against Airbus subsidies.

Separately, Brussels announced yesterday that Airbus had for the time being abandoned its plans to file a formal complaint against British Airways' commercial practice.

The consortium had publicly accused the UK flag carrier of freezing out Airbus aircraft, and colluding with Boeing and General Electric of the US to buy their 777 airliners and GE90 engines instead.

The Commission said yesterday it had not taken a decision on the legality of the BA deals, although officials had already *indicated privately that the* transactions did not appear to breach EC competition law.

The Brussels report on the US aircraft industry is bound to rekindle the transatlantic controversy over unfair commercial aircraft subsidies.

The EC is also expected to use its findings to support its case in the Gatt.

The US and the EC have failed to agree on a limit on government aid for new aircraft programmes, with the US demanding a 25 per cent cap and the EC proposing a 45 per cent ceiling. The EC has also insisted on a cap on both direct and indirect support.

The new study claims subsidies *were channelled to the US* commercial aircraft business via research and development grants from the US defence department and the National Aeronautics and Space Administration (Nasa). The report estimates that the industry has received government support of between $18bn and $22bn over the last 15 years, or $33bn and $41bn based on present currency values.

A large proportion of the subsidies were intended mainly for military research and development, but Boeing and McDonnell Douglas, the two US aircraft manufacturers, received substantial "crossover benefits" because of the over*lap between commercial and* military aeronautics technology.

But Boeing claimed last night that the European industry had also benefited heavily from defence funding. It said Boeing had received $39.9bn worth of military contracts during the last 10 years, while the three main Airbus partners including British Aerospace, Deutsche Aerospace and Aérospatiale of France, had received a total of $85bn worth *of military contracts during* the same period.

Boeing also stressed that the US government was a customer, not an underwriter of aerospace programmes. It claimed that the US government did not subsidise the industry through its contracts.

*However, the report commis*sioned by the EC claims up to 20 per cent of $50bn of US Department of Defence grants was of direct benefit to the commercial industry - equivalent in current dollar values to a subsidy of $20bn since 1976.

Aircraft-makers also received some $8bn from Nasa, as part of its civil aeronautics R&D programme. The report adds Boeing and McDonnell Douglas benefited from tax deferrals and exemptions of $1.7bn and $1.4bn respectively.

The report adds US state aid probably exceeded its estimates, but says other benefits - *such as cheap access to test* facilities and government purchases of aircraft - are more difficult to quantify.

The EC is understood to have commissioned a second report from a US firm of consultants on indirect supports for the aircraft industry which has yet to be released.

Hard going at farm subsidies talks

THE EUROPEAN Community and the US opened discussions in Brussels yesterday aimed at resolving their impasse over farm subsidies and rescuing the Uruguay Round trade talks from collapse, write William Dullforce in Geneva and David Gardner in Brussels.

The discussions will continue today in The Hague but the first meeting had already shown that it would be difficult to find a compromise, EC officials said last night.

The US was pressing hard for deeper cuts in export subsidies on cereals, beef and other farm products than the EC was prepared to concede.

President George Bush and Mr Ruud Lubbers, Dutch prime minister and current EC president, agreed last week that a final effort should be made to resolve differences after US and EC farm negotiators had failed to come to terms in Geneva on November 20.

Troubleshooters from each side, Mr Pascal Lamy, chief aide to Mr Jacques Delors, the European Commission president, and Mr Robert Zoellick, under-secretary for economic affairs at the State Department, have been brought in to provide the political punch.

In Geneva the two-day annual meeting of the General Agreement on Tariffs and Trade opened in a muted atmosphere with the results of five years of trade-liberalising hanging on the ability of the EC and US to resolve their deadlock over reductions in farm subsidies

Mideast hostage crisis nears end

By Lara Marlowe in Beirut and Quentin Peel in Bonn

THE denouement of Lebanon's hostage crisis accelerated into view yesterday as Mr Alann Steen, a US academic kidnapped in January 1987, walked free amid unconfirmed reports that Mr Terry Anderson, the last US hostage and longest held of any westerner in Lebanon, would be liberated today.

Mr Steen, who was handed over to US diplomats in Damascus yesterday afternoon, was the second US hostage to be freed within 24 hours, after the release on Monday of Mr Joseph Cicippio.

Islamic fundamentalists in Beirut, quoted by the Reuter news agency as having reliably predicted past hostage releases, said that Mr Anderson, the 44-year-old journalist *who was captured in March* 1985, would be released today.

The release of Mr Anderson, held by Islamic Jihad, would leave two German aid workers, Mr Heinrich Struebig and Mr Thomas Kemptner, as the sole westerners still held by Moslem kidnap groups in Lebanon.

The German government expressed its determination yesterday that the fate of its two citizens should be treated *as a humanitarian case in line* with those of the other Western hostages.

Germany has been resisting attempts by the hostage-takers to link the fate of the Germans to the release of the two Lebanese brothers, Mohammed Ali and Abbas Hamadi, jailed in Germany for murder and air piracy, and kidnapping, respectively.

Top-level talks are expected to take place in Bonn next *week with the Iranian deputy* foreign minister, Mr Mahmoud Vaezi, described by officials as "a key figure in hostage negotiations".

Tehran radio reported this week that the liberation of the remaining western hostages was obtained by Mr Giandomenico Picco, the United Nations envoy, in a secret meeting in Damascus at the weekend.

Without Mr Picco's mediation it seems unlikely that the 52-year-old Mr Steen and seven other westerners would have been freed since August 8, *when Mr John McCarthy*, the British journalist, was freed by Islamic Jihad.

Mr Picco's involvement in hostage negotiations became public after Islamic Jihad sent a letter with Mr McCarthy, requesting UN mediation in August.

But the Italian diplomat's endeavours may have started much earlier. He visited Syria at the time of Mr Brian Keenan's *release in August 1990.*

Those close to the hostage-takers in Beirut say the Iranians know Mr Picco well and like dealing with him: he was an architect of the August 1988 Iran-Iraq ceasefire.

The UN envoy is probably the only person who knows exactly what concessions and rewards have been promised to or by his Israeli, Lebanese, Syrian, Iranian, American and German interlocutors.

The elements of hostage releases have fallen into a familiar pattern. Israel summons the International Com*mittee of the Red Cross* to receive Lebanese prisoners from Khiam, then kidnappers issue a statement announcing the imminent liberation of a westerner.

The hostage is produced at the Syrian Foreign Ministry in Damascus where he holds a brief news conference to thank the government of Syria, relate the conditions of his incarceration and call for the freedom of "all those unjustly detained in the Middle East".

Alann Steen (right) and Christopher Boss, US ambassador to Syria, leave the Syrian *Foreign Ministry yesterday*

German police raids target racist suspects

By Christopher Parkes in Bonn

ONE MAN was arrested and warrants were issued for seven more after German police swooped on the homes of suspected racist hooligans and neo-Nazis in 32 cities early yesterday.

The raids, co-ordinated by the police from the former east German state of Saxony, also netted large quantities of weapons, including guns and ammunition, clubs and knives, as well as propaganda. More than 700 police were deployed in Saxony alone.

The operation followed attacks against foreigners, particularly asylum-seekers, which spread rapidly across the country after gangs besieged and fire-bombed an apartment block housing asylum-seekers in Hoyerswerda, north of Dresden, in September.

The operation's targets were 107 people, suspected of attacks on foreigners and membership of illegal organi*sations, who had been the sub*jects of 15 separate investigations. They were mainly members of loosely-organised skinhead gangs, within which a hard core of racist extremists is believed to have developed.

"The swastika and SS insignia are not fashion items," Mr Günter Hertweck, the Saxony state prosecutor, said. "They are the marks of unconstitutional organisations."

Almost all the raids – 90 *out of a total of 114* – were carried out in the Saxon cities of Dresden, Zittau, Leipzig and Zwickau in the depressed industrial heart of former East Germany. Unemployment has reached around 30 per cent in some areas.

Although the number of attacks against foreigners has fallen recently, domestic and international pressure for the government to clamp down is still strong. The tally of one *arrest from yesterday's* operation suggests the police face considerable difficulties in pinning down ringleaders and organisers.

In spite of public protests against violence and xenophobia, there is also concern inside Germany about the rising tide of people seeking asylum. *This year alone*, some 230,000 are expected, the numbers boosted by refugees from the war in Yugoslavia and economic hardship elsewhere in eastern Europe.

The German government has proposed regulations for hastening the processing of *appeals for asylum*, and wants camps to be established where asylum seekers can be more effectively protected than in isolated buildings.

New regulations, Page 2

THE LEX COLUMN

Maxwell under the hammer

The bad news from the Maxwell empire is acquiring a kind of runaway momentum. Two days ago, it was dubious goings-on in the pension funds; now it is £300m of previously undisclosed loans from the public companies to the pri*vate side. The conflict of inter*est which produced the resignation of the Maxwell brothers is stark enough. As public company directors, they are responsible for huge loans made to their private interests without the knowledge of either their shareholders or, apparently, their bankers.

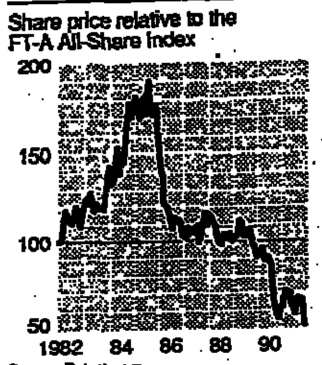
In other respects, Mr Kevin Maxwell's replies to the press yesterday were dispiriting. He could not say whether the *loans* to his private interests from Mirror Group came before its flotation or after. He did not know what the effect would be on the public companies' pension funds if the private side were to collapse. On the question of whether stock had been borrowed from the pension funds by the private side and then pledged as collateral against further loans, he could only refer vaguely to conflicts of interest.

It now looks increasingly possible that the private side will go under. If so, Maxwell Communication will be out of pocket to the tune of £250m. *The whole situation is unrav*elling so fast that it is hard to put a residual value on the Mirror, let alone MCC. If and when the shares of either return from suspension, their shareholders are going to have a lively time of it.

FT-SE Index: 2,420.2 (+5.3)

Trafalgar House

Share price relative to the FT-A All-Share Index



Source: Datastream

Trafalgar House

Yesterday's full-year results from Trafalgar House demonstrate the sheer versatility of UK accountants when the going gets tough. A mere 20 per cent slip in pre-tax profits to September looks respectable enough. Add up the long list of balance sheet write-downs and a different picture starts to emerge. Most telling is the fact that shareholders' funds – *swelled by a £300m rights issue* – finished the year £80m lower than they started.

It was the dividend warning, though, which took investors by surprise and knocked 13 per cent off the value of the shares. Markets are invariably cross when they are wrong-footed; but always assuming boardroom pride does not get in the way, it is hard to argue with the logic of a cut. Trafalgar's cash position may be good, but it could be five years before the current payout is twice covered, while the advance corporation tax problem refuses to go away. Surplus ACT is now approaching £100m, including £40m netted off against *deferred tax – an asset which* presupposes that UK taxable profits some day approach the £400m mark.

The challenge for the market, now that dividend expectations have been shaken, is gauging the flow of future earnings. For all its quality and positive cash flow, the construction and engineering division is a late cycle business, not to mention the remaining risks in Davy. Property, ship*ping and hotels must go up in* the long run. But while residential property can be run for cash, the size of the investment needed to turn commercial property into profits is hard to quantify. The shares are likely to be friendless for a while yet.

Ultramar

The response to Lasmo's final bid for Ultramar yesterday was curious. Ultramar shares fell by more than 9 per cent to close well below the value of the increased bid, so the market has clearly decided against the likelihood of an auction. Although Lasmo improved its terms with a dash of cash, the fall in the market since the bid was launched *means it is barely higher in* absolute terms. But one wonders whether institutions are now nervous enough of equities in general to accept the partial cash offer as the best way out of a difficult corner. If so, Lasmo will doubtless consider itself fortunate to acquire Ultramar cheaply enough to avoid dilution of asset value per share.

That raises the wider question of asset values in the oil exploration sector. *It is signifi*cant that Lasmo has not had to attack Ultramar's own valuation of its upstream assets. But the implication has been clear enough: if there are no cash buyers, asset values are mean*ingless*. Ultramar may be untypical because of its poor management record, but its demise at a near one-third discount to asset value would have worrying implications for the likes of Enterprise, whose shares on that basis still trade at a premium.

Junk bonds

Sometimes market memory seems short indeed. With over $1bn *in new issues last week* alone, junk bonds are back in fashion in the US. But this time it is not a case of indiscriminate investors being lured into financing irresponsible mergers. Moody's rating agency reckons two-thirds of this year's new issues have *been top* quality junk compared with just one-fifth of those launched between 1986 and 1989. *Lower long-term* rates have encouraged original issuers to refinance their debt, usually extending *its maturity* as well. That is a welcome way of unwinding the excesses of the 1980s.

The upward sloping yield curve helps make the paper attractive to investors looking to improve returns. But though *such investors* are cannier than the inexperienced savings and loans institutions who were stuffed before, they should still remember that any yield premium implies additional risk. The weak economy is a particular threat to cyclically sensitive companies like Inland Steel. There is good reason why it must pay 500 basis points over Treasury bonds, more than double the premium offered by Chiquita Brands.

Economic recovery could carry different risks, as a re-opened junk bond market could again become a ready source of merger finance. A warning sign would be companies adding new debt through junk bonds instead of just refinancing old borrowings. If that *happened*, holders of high-grade corporate debt should start to worry again.

BT sale

The government's admission that it is leaning on institutions to avoid the political embarrassment of an unduly lavish premium on the BT sale comes too late for most retail investors. It is conventional for it to offer bribes to get privatisation issues away. It is novel for it to seek to avoid paying up after the event.

Maxwell crisis deepens

Continued from Page 1

being faced in the months before Mr Maxwell's death. MGN also lent an estimated £50m to the private companies since it was floated in May.

The inter-company loans were not uncovered until late on Friday, after an investigation by NM Rothschild, the UK merchant bank appointed last week to advise the private companies. Over the last two days, *Crédit Lyonnais*, the French bank, has chaired crisis meetings of a syndicate of banks owed £2bn by MCC.

Bronwen Maddox and Peter Martin write: The UK government was still considering complaints against Goldman Sachs over dealings with Mr Robert Maxwell one month after appointing the investment bank to head the US sale of shares in BT.

On October 17, Mr Peter Lilley, trade secretary, wrote a letter to a private investor who had complained about Mr Maxwell's sale of a "put" option on MCC shares to Goldman Sachs in August 1990. Mr Lilley's letter said: "The *matters* you raised remain under consideration by my officials."

Before Goldman was appointed to the BT sale in September, the Treasury's solicitors demanded assurances that it had never taken part in any action which could affect its ability to sell the shares.

Last night Goldman said: "We don't know that the matter is under consideration, but we do know there is no investigation."

UK wins 'federal' fight

Continued from Page 1

future defence identity. But, as Mr Douglas Hurd, the UK for*eign secretary, made clear last* night, there are still rough edges to be pared before Britain will be satisfied.

Mr Hurd said the treaty's defence provisions now "preserve our main concerns", even though the relevant clause describes the Western European Union (WEU), the defence grouping in which nine EC countries participate in addition to their Nato mem*bership, as an "integral part of* the development of the European Union".

Britain, backed by Italy, had insisted that the WEU should not come under control of the European Council, and that its role should be "consistent and compatible with the policies of the Atlantic Alliance," Mr Hurd said. The way the treaty is now phrased means, however, that Britain has moved towards Franco-German demands for a clearer tie between the WEU and the EC.

Mr Hurd said, nevertheless, that fundamental differences remained to be settled at Maastricht. He singled out social policy as "a very difficult question and I think it will remain very difficult at Maas*tricht". The question of major*ity voting on foreign policy is also unresolved, as is what Britain would regard as adequate safeguards for "vital national interests" in joint foreign policy making.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Berlin	C	1	34	Caracas	C	27	81	Faro	S	16	61	Islamabad	C	18	64
Algiers	F	17	63	Biarritz	S	13	55	Casablanca	F	18	64	Florence	S	8	46	Istanbul	F	7	45
Amsterdam	C	1	34	Bombay	S	30	86	Chicago	Sn	-3	27	Frankfurt	C	0	32	Jakarta	R	30	86
Athens	F	12	54	Bordeaux	F	10	50	Cologne	C	0	32	Geneva	C	1	34	Jersey	C	3	37
Bahrain	F	24	75	Boulogne	C	0	32	Copenhagen	C	4	39	Gibraltar	R	14	57	Johannesburg	F	24	75
Bangkok	F	34	93	Brussels	Dr	-1	30	Corfu	S	14	57	Glasgow	C	9	48	Lima	F	22	72
Barcelona	R	11	52	Budapest	S	2	36	Dallas	F	2	36	Helsinki	C	2	36	Lisbon	S	9	48
Beirut	C	15	59	Buenos Aires	C	27	81	Dublin	F	9	48	Hong Kong	F	22	72	London	C	8	46
Belfast	C	8	46	Cairo	F	18	64	Dubrovnik	-	-	-	Innsbruck	S	-1	30	Los Angeles	S	9	48
Belgrade	Fg	1	34	Cape Town	S	23	73	Edinburgh	S	8	46	Inverness	S	10	50	Luxembourg	C	-1	30

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	19	66	Milan	Fg	0	32	Nicosia	F	15	59	Salzburg	F	-1	30	Tenerife	S	19	66
Madrid	C	10	50	Montreal	Sn	-12	10	Oporto	C	14	57	San Francisco	S	7	45	Tokyo	S	16	61
Majorca	R	13	55	Moscow	F	1	34	Oslo	S	-1	30	Seoul	S	5	41	Toronto	Sn	-5	23
Malaga	C	15	59	Munich	C	-1	30	Paris	C	1	34	Singapore	R	28	82	Tunis	R	12	54
Malta	R	14	57	Nairobi	F	25	77	Peking	S	3	37	Stockholm	S	2	36	Valencia	R	10	50
Manchester	C	7	45	Naples	S	15	59	Prague	C	-1	30	Strasbourg	C	1	34	Venice	S	5	41
Manila	C	28	82	Nassau	F	28	82	Reykjavik	C	1	34	Sydney	S	27	81	Vienna	C	0	32
Melbourne	F	21	70	New Delhi	S	21	70	Rhodes	S	12	54	Taipei	C	22	72	Warsaw	C	0	32
Mexico City	C	25	77	New York	R	7	45	Rio de Janeiro	C	28	82	Tangier	C	15	59	Washington	Dr	7	45
Miami	S	24	75	Nice	S	13	55	Rome	S	12	54	Tel Aviv	T	13	55	Zurich	C	0	32

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday December 4 1991

INSIDE

Brent Walker fees amount to £43m

Brent Walker, the troubled UK leisure group, yesterday revealed that its attempts to avoid receivership had cost it £43m ($76m) in fees to lawyers, accountants and merchant banks. The company, formerly headed by Mr George Walker (left), gave details of these costs along with news of interim pre-tax losses of £134m. The new management believes that profits disclosed last year were "materially overstated" and that no attempt had been made to calculate what they should have been. Page 26

Calming the copper turmoil

The London Metal Exchange yesterday took formal action to calm the turmoil threatening to get out of hand in its "flagship" copper market. Mr Yasuo Hamanaka, senior Sumitomo Corporation manager, described by some London Metal Exchange traders as the single most powerful man in the copper market, said yesterday: "It is not our intention to squeeze or manipulate the market but we have to keep our customers happy and at the same time make money." Page 28

Tearing down the barriers

A rambunctious free-for-all in Canada's financial services industry is about to start. Within the next few weeks, parliament is likely to approve a package of four Bills which will tear down many of the barriers that have kept financial institutions in four neat compartments – banks, trust companies, insurance underwriters and securities firms. Page 21

Swift and sure

The only sound associated with the electronic transfer of several thousand billion dollars a day around the world is the background hum of the high-speed computers at heavily guarded centres in the Netherlands and the US run by Swift – the Society for Worldwide Interbank Financial Telecommunications. It is a publicity-shy and security-sensitive institution, with headquarters hidden from public view. Page 24

Infusion for Argentina

Argentina's stock exchange, the fastest growing in the world this year, will receive a hefty infusion this month when shares in the country's first privatised company begin trading. About $4bn of privatisation issues is expected to hit the Buenos Aires exchange over the coming years. Back Page

Small decline at UK brewers

Bad debts and increased interest charges contributed to a marginal decline in first-half pre-tax profits at Greene King, the Suffolk-based brewer. Page 26

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Continental	208	+	10	Air Liquide	642	+	12
Rosenthal	239.5	+	9.5	Essilor	318	+	9.9
Falls				Havas	437.6	+	8.6
Beersdorf	800	–	24	Sagem	1639	+	34
Hapag Lloyd	495	–	10	**Falls**			
Ledhed	500	–	28	Bouygues	497.6	–	11.4
Preussag	310	–	6.5	Immobanque	750	–	14
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
AT & T	36½	+	¼	Kinki Sharyo	748	+	64
Falls				Matsuzakaya	1920	+	170
IBM	91¼	–	1	Morozoff	1250	+	110
Glaxo	28⅞	–	⅛	Sanyo Special	549	+	48
Oracle Systems	12⅞	–	1½	Toa Paint	1040	+	100
USX-Marathon	24⅛	–	2⅞	Toyo Sanso	1780	+	180
Unisys	5	–	⅛				

LONDON (Pence)							
Rises				Hunter Saphir	62	–	8
AlliedColloids	180	+	14	Lonrho	200	–	20
Creighton's Nat	190	+	20	Mid&Scot Res	40	–	8
EldridgePopeA	401	+	16	Mowlem (J)	183	–	10
Glaxo	809	+	30	NatWest Bank	275	–	10
Smith (WH) A	469½	+	14½	Sanderson M&E	482	–	42
SmKl Beecham A	789	+	20	Stakis	34	–	5
Yorks Chems	573	+	32	Steetley	255	–	14
Falls				Trafalgar Hse	177	–	26
Christies Intl	128	–	9	Ultramar	290	–	30
Hanson Inds	79	–	19	UniChem	177	–	7
HarrisonsCros	119	–	9				
Higgs & Hill	83	–	10				

Top executives of US group to join board of troubled Japanese affiliate

GM tightens grip on Isuzu management

By Steven Butler in Tokyo and Kevin Done in London

GENERAL Motors of the US, the world's leading vehicle maker, is tightening its grip on the management of Isuzu, its troubled Japanese affiliate, as part of a restructuring of the company in which it has a 37.4 per cent stake.

Mr Donald Sullivan, group director of strategic planning at GM's Chevrolet-Pontiac-Canada group, is to become an Isuzu executive vice-president responsible for corporate planning, manufacturing and engineering. Mr Philip Murtaugh, vice-president of General Motors Japan, joins the Isuzu board.

Mr Hiromichi Matsuka, an executive director of Dai-Ichi Kangyo Bank, Isuzu's main creditor bank, is to become a senior managing director of Isuzu.

They take up their posts at Isuzu after the shareholders meeting in January.

As part of the top management shake-up, Mr Kazuhira Seki, vice-president, has been appointed president, the company's chief executive officer, while Mr Kuzuo Tobiyama, the current president, will become chairman.

Mr Tobiyama said Mr Sullivan would be in charge of establishing strategic management policies and product development.

The reorganisation follows a sharp deterioration in Isuzu's financial performance. In October Isuzu increased the estimate of its operating loss in the year to the end of October to Y44bn ($330m), from an estimate in June of Y29.5bn. Last year the company made an operating profit of Y9.7bn. The company is expected to make a net loss of Y47.5bn.

Isuzu has been hit by weak demand in Japan, poor exports, and the high value of the yen. Its difficulties underline the problems faced by small Japanese car companies in making the capital investment necessary to compete with bigger competitors.

Isuzu mainly makes commercial and four-wheel-drive leisure utility vehicles. Its car operations lack the scale of its competitors.

Isuzu said GM had agreed to help boost its exports. In addition to an annual 35,000 1.5 litre diesel engines imported by GM Europe for its small Opel Corsa/Vauxhall Nova, GM Europe will begin importing 30,000 1.7 litre turbo diesels next year for its Opel Astra/Vectra and Vauxhall Astra/Cavalier ranges. In the US, GM will increase annual imports of Isuzu-made transmission units from 90,000 to 160,000.

An Isuzu reconstruction announced in June involved transferring several hundred office staff into domestic dealerships and boosting exports through GM.

Dresdner may shift futures contracts from Liffe

By Tracy Corrigan in London

DRESDNER Bank, Germany's second-largest bank, is considering pulling out of the London International Financial Futures Exchange, just before Liffe moves to new premises on December 16.

An official at Dresdner in Frankfurt said the bank was considering switching all its business to the Deutsche Terminbörse (DTB), the German futures exchange, because of the heavy concentration of the bank's business in Germany.

Directors of Dresdner Bank in Frankfurt were said to be discussing the issue in their regular weekly board meeting yesterday, and were unavailable for comment.

The move would be the latest, and most potent, sign that German banks are backing the DTB, which has been struggling to win back business from Liffe.

German banks have already agreed to channel their Bund futures business through the DTB, in an effort to rescue its languishing year-old futures contract.

The volume of Bund futures contracts traded on the DTB has surged over the past month, following an agreement between German banks to trade a minimum volume of contracts, believed to be around 2,000 a day at each bank.

However, it is unclear whether the increased volume represents greater interest among investors or cross-trading by dealers.

Earlier this year, the exchange set up a designated marketmaker system, and in August transaction fees on Bund futures contract trading were removed.

Liffe has four other German members: DG Bank, Deutsche Bank, Hessische Landesbank and Westdeutsche Landesbank.

The volume generated by Dresdner, Deutsche and DG Bank on Liffe has plummeted over the past few months, according to other Liffe traders, as they have pulled business back to Frankfurt.

"Deutsche Bank decided to channel as much business as possible through the DTB to stimulate business on that contract," said Mr John Lake, managing director of Deutsche Bank Capital Markets.

However, Deutsche will be increasing its activities on Liffe in other areas, particularly gilts futures, when it becomes a gilts marketmaker next year.

Alice Rawsthorn and William Dawkins on a flotation of fashion

Dior hopes its new look will captivate the Bourse

When the models swept along the catwalk of Mr Christian Dior's salon on the Avenue Montaigne on February 12 1947, the outfits they wore breathed new life into the dowdy world of post-war Paris.

The "New Look" turned the young Mr Dior into one of the world's most famous designers and reinforced Paris as the centre of the world fashion industry....

It is too much to hope that today's flotation of his fashion house, Christian Dior, will breathe the same sort of life into the sluggish Paris stock market – it is too small a fish in the corporate pool.

The company, which will be capitalised at FFr12.9bn ($2.3bn), is offering 1.3m shares, 6.1 per cent of the equity, for sale to the public in France and placing another 620,000 shares internationally at 14.6 times historic earnings.

But the flotation is important because the facts and figures disclosed in Dior's documentation offer a rare glimpse into the secretive world of Paris fashion.

Dior has been an exception, acting out its dramas rather more publicly than other Paris houses, although still revealing little about its finances. In 1957, for example, Mr Yves St Laurent, a 21-year-old assistant, took over after Mr Dior's death. By the early 1960s he was suing Dior for supplanting him with his own assistant, Mr Marc Bohan, and then used his settlement to set up his own design house.

In the early 1980s there was more publicity when Mr Bernard Arnault, the ambitious French industrialist, salvaged Dior from the bankrupt Boussac empire.

DIOR COUTURE
Consolidated results (FFr millions)

	1987	1988	1989	1990	1991*	1992*
Sales	607	668	726	733	700	756
Operating profits	97	146	197	119	109	132
Pre-tax profits	108	156	222	167	160	187
Net Profits	52	89.8	132	93	100	116

* estimate — Source: Cholet-Dupont

Mr Arnault and Ms Béatrice Bongibault, the Chanel executive he brought in as Dior's managing director, fired Mr Bohan and hired Mr Gianfranco Ferre, the Italian designer. And earlier this year Ms Bongibault left Dior paving the way for Mr Philippe Vindry to join as director-general from the Bon Marché retail group.

In spite of all the publicity, Dior's finances have been shrouded in secrecy. Even the flotation prospectus does not make things completely clear.

Dior, like many other French companies, is part of a web of holdings and cross-holdings. Much of its value comes from its ownership of a holding company that controls 45.7 per cent of LVMH, the giant luxury goods group headed by Mr Arnault, which owns Louis Vuitton luggage and Hennessy cognac as well as the Dior perfumes.

The LVMH holding provided FFr710m of Dior's FFr803m net profits last year (down from FFr909m in 1989). Thus an investment in Dior is a way of buying shares in LVMH embellished by a smallish fashion business with sales of FFr732.6m last year from a string of licences, shops and a factory in Orléans on the Loire.

Dior, like other fashion houses, depends on licensing income for much of its sales. The scarves, spectacles and sunglasses sold under its name – by Dior itself and licensees – raised sales of FFr6.5bn last year, but generated fees of FFr359m, representing nearly half the turnover of the Dior Couture fashion business.

For the past two years Dior has been weeding out its weaker licensees – the number of licences has fallen from 280 at the end of 1989 to 160 today – to strike a balance between making as much money as possible from its name without jeopardising its "exclusivity".

This balance also involves continuing to finance *haute couture*, the most exclusive area of high fashion, which provides hundreds of pages of free publicity from the press coverage of the catwalk collections, but costs Dior between FFr20m and FFr30m a year, according to Mr Arnault.

Mr Arnault does not envisage the flotation changing the way Dior is run. The issue is, after all, intended to allow existing shareholders to sell shares, not to raise money for the company.

The timing of the issue could scarcely be worse. Fashion houses have been hit by the economic slowdown and the swing away from the conspicuous consumption of the 1980s. They have also been badly affected by the instability of two important sources of sales – the duty-free market during the Gulf war and US department stores scarred by leveraged buy-outs.

Cholet-Dupont, the Paris broker, forecasts a fall in pre-tax profits for Dior Couture from FFr167m in 1990 to FFr160m in 1991 against FFr222m in 1989. But Dior has been keen to go public for some time.

And, although Dior's new designer, Mr Gianfranco Ferre, may not have cut the same dash as Mr Karl Lagerfeld at Chanel or Mr Claude Montana at Lanvin, he has attracted enough attention to help Dune, the new Dior perfume, outstrip its sales targets. Not quite the New Look, but much more enjoyable than an ordinary day on the Bourse.

Financing haute couture costs Dior FFr20m-FFr30m a year

Visa to lift suspension on cards issued by non-bank organisations

By Alan Friedman in New York

VISA, a leading US credit card company, is to end a year-old moratorium preventing non-bank organisations issuing cards.

The decision by Visa, a consortium owned by banking groups, marks a radical change in a policy aimed at limiting the entry into the card market by department stores, industrial companies and other non-bank entities.

Visa's decision is expected to benefit consumers because of the wider choice likely to follow a rush of non-bank card issuers.

The Visa move could also increase the squeeze on margins for traditional bank issuers of credit cards such as Citicorp, Chase Manhattan and First Chicago. The card market is already overheated and banks have been facing a rise in defaults by individual card-holders.

Last year's moratorium by Visa reflected the desire to hold back industrial and commercial companies that were beginning to make inroads in the card market. A prime example was the success of a credit card issued by American Telephone & Telegraph (AT&T), which attracted more than 10m cardholders with its Universal card. AT&T did not require annual fees and offered competitive interest rates.

Among those non-bank groups believed likely to offer cards are General Motors and General Electric. The latter already controls a financial services subsidiary that is seen by many bankers as a threat in the marketplace.

David Barchard writes: Visa's operations outside the US are not directly affected by the American decision, but pressure is now certain to build up on Visa Europe to lift its policy of refusing banks owned by retailers as members.

Four UK retailers have banking licenses and could be interested in membership of Visa.

MasterCard International, Visa's main rival, said last night the lifting of the moratorium would mean the credit card market would become more competitive, but it had no new applications from non-banking organisations since Visa introduced the ban.

UK aims to cut profit from BT sale

By Hugo Dixon and Roland Rudd in London

THE UK government aims to prevent investors in this week's BT sale from making profits as large as those made in previous privatisations.

It plans to do this by fixing the level of the final instalment, the last of three, high enough to prevent the price of the new shares rising sharply when trading begins on Monday morning.

Ministers are particularly anxious in the run-up to the general election to avoid accusations that they have sold the shares too cheaply.

Small investors are paying 110p a share for the first instalment, giving them an inbuilt 15p advantage on the 125p being paid by institutional investors.

It had been expected that these partly-paid shares would rise to a large premium on Monday.

However, government advisers said yesterday they were determined to avoid a "scandal" which would occur if the shares rose to 140p. Instead, it wants them to go to only a modest premium.

The intention is that institutions will still make a small profit and small investors will make a larger one.

But this should be significantly smaller than previous government sales.

The higher the price paid in the third instalment, the lower the value of the partly-paid shares which start to trade on Monday.

The government will today announce that institutions have increased the amount of shares they have asked for and the price they are willing to pay for them. Lex, Page 18

La Général mine group unveils restructure plan

By Kenneth Gooding, Mining Correspondent, in London

ACEC-UNION Minière, the non-ferrous metals business 82 per cent-owned by Société Générale de Belgique, yesterday unveiled a BFr2.4bn ($72m) restructuring programme which includes the closure of its zinc smelter at Overpelt in Belgium.

Mr Jean-Pierre Rodier, who took over as chief executive *this year, said restructuring* costs and expected losses *would take Acec-UM's net loss* for 1991 to BFr4.9bn.

Last year the company, formed in 1989 from mergers which produced one of Europe's biggest integrated metals businesses, made a BFr3.82bn net profit.

However, the restructuring would save an annual BFr1.2bn and cut out the losses from Overpelt, which were running at BFr500m a year at present zinc prices. He said Acec-UM expected to be "at full cruising speed" again in 1993, when its *return on equity should rise* from the average of 8 per cent *in its component companies* between 1985 and 1989, to 11 per cent.

The group will cut about 1,000 jobs in Belgium, France and Sweden over the next 18 months. Nearly 500 of these will come from its smelter.

Mr Rodier said Acec-UM, the *world's biggest zinc metal producer* with capacity of 600,000 *tonnes, would contribute to* restoring the balance between *supply and demand in the zinc* market by closing Overpelt early next year, instead of in 1993, and by delaying the construction of a new smelter at Balen, Belgium, until 1995.

"Zinc consumption is not growing any more. New capacity is being built in other countries and the market cannot take any new capacity," he said.

Overpelt's closure will remove 100,000 tonnes, or 2 per cent, of world zinc metal supply, he said. This represented *about half the current world* overcapacity.

Zinc is mainly used for galvanising steel. Prices have been affected by the steep drop in demand from the construction and car industries. Latest statistics from the International Lead & Zinc Study *Group show that, in the first* nine months of this year, zinc *consumption fell by 2.2 per* cent to 3.865m tonnes compared with the same months in 1990, while production increased by more than 2 per cent to 3.94m tonnes.

Nearly all the surplus has been shipped to London Metal Exchange stocks, where it is highly visible and has depressed prices for most of this year. Analysts suggested last night that further producer cuts would be needed to restore the market balance and boost prices.

Lasmo sweetens offer for Ultramar

By Deborah Hargreaves in London

LASMO, the independent UK oil exploration and production company, stepped up its efforts to acquire fellow oil company Ultramar yesterday by offering a cash sweetener of 40 pence a share to its all-paper bid, marking it up to £1.17bn ($2.07bn).

The City, however, was dis*appointed at the offer, as it* lacked any premium over the original bid, following the 53p drop in Lasmo's share price since the bid was launched.

Ultramar's shares tumbled by 30p in heavy trading to 290p as the market expressed its scepticism of a counter-bid boosting the company's value.

Analysts believe that, in the absence of a bid, Ultramar's shares would be trading much lower. Lasmo has given shareholders a choice of the additional cash or paper in the form of 23 Lasmo shares for every 20 Ultramar shares.

If investors opt for the cash option, gearing of the merged company will be forced up to 65 per cent from 57 per cent – on a pro-forma basis.

The higher gearing will put additional pressure on the company to sell assets.

"Lasmo must be pretty con*fident of finding a buyer for* the downstream assets or they wouldn't have offered cash," said Mr Nick Clayton, analyst at Smith New Court.

Lex, Page 18

Pirelli falls into a hidden chasm

A seemingly contradictory combination of cleverness and naivety proved the company's undoing in its attempt to take over Continental, writes Haig Simonian

*LESS THAN 700km sepa*rate Milan, the home of Pirelli, the Italian cables and tyres group, from the Frankfurt headquarters of Deutsche Bank, Germany's biggest financial institution, *which exerts a dominant role* over the Continental tyres concern.

Yet, as Pirelli's abortive bid for Continental shows, the distance could be 10 times as great, given the misunderstandings and diverging business practices that largely *explain why the transaction* collapsed.

Differing codes of business practice also underlie the angry criticisms of Pirelli by many of its shareholders, particularly outside Italy. *Selling* of the company's shares has triggered a 30 per cent fall in its share price in the past two days.

Pirelli shareholders and the foreign analysts who follow the company have been enraged by its constant denials that it ever offered indemnities to its allies in the Continental bid. It is such indemnities, long suspected but finally revealed last Saturday, which account for the bulk of Pirelli's huge L670bn ($546m) forecast loss.

Once a byword for northern Italy's industrial aristocracy, the company has lost Continental and won a sackful of mistrust.

Pirelli's problem in trying to take over Continental lay in being too clever and too naïve at the same time. That apparently contradictory mixture may also serve as a stark les*son to others trying to forge* cross-border business links in *Europe.*

Trying to be too clever for its *own good was evident in Pirel*li's opening bid for Continental *in September 1990. The pro*posal involved a convoluted structure in which Continental would effectively have had to issue a huge amount of debt to take over itself via a reverse takeover of the Italian group's *Netherlands*-quoted Pirelli *Tyre Holdings subsidiary.*

The plan, which critical bankers *identified* as *bearing* every mark of Mediobanca, the secretive Milanese merchant bank, served only to antagonise Continental's management, then led by Mr Horst Urban. It did not get the deal off to a good start.

Yet hurting the management's feelings was probably of little importance to the Italians at that stage, given their view that the deal was almost home and dry.

Pirelli's confidence stemmed from its belief that it had won support from big institutional investors in Continental, led by Deutsche Bank and including the giant Allianz insurance group. It was here that Pirelli's cleverness slid into naïvety.

The central figure in Pirelli's miscalculation is Mr Ulrich Weiss, *a managing board mem*ber of Deutsche Bank, who is both supervisory board chair*man of* Continental and the bank's board member responsible for Italy. Pirelli approached Mr Weiss, and clearly believed he was encouraging it to go ahead with a proposed merger. *He* has denied anything more than vague conversations with Pirelli.

Whatever the substance of those talks, *Pirelli's main mis*take, exacerbated by its reluctance to listen to other advisers apart from Mediobanca, was to assume that what it believed was a nod of approval from Deutsche Bank would be tantamount to a cast-iron guarantee. *"They thought they* had been invited into the parlour by the *right people", says one* banker once close to the transaction.

But *although an entrée* into the "Salotto Buono" – the "good drawing room" of northern Italian business in which *Pirelli* and Mediobanca are virtual founder-members – may be adequate in Milan, it counts little in Frankfurt. "They couldn't understand it when the people they thought were their allies started turning round and acting like hard-nosed businessmen."

Such misunderstandings are surprising considering the image of both the company and Mr Leopoldo Pirelli, its chairman, as being among the most international of Italy's otherwise inward-looking big businesses.

Yet the differences that arose between Pirelli and its hoped-for German "allies" – which, according to Mr Pirelli, "lost the way" somewhere along the bid route – count as nothing compared with Pirelli's misunderstanding of investor reactions to the existence of the indemnities offered to its domestic allies.

For more than 14 months, the company denied any deal with the group of predomi*nantly Italian* supporters, led by Mediobanca, which had bought stakes in Continental to support the bid.

The legal situation regarding such a structure is unclear. "Concert parties" are forbidden in the UK, but they are acceptable in Italy. And there was no other way for Pirelli to get around Continental's 5 per *cent shareholding limit.*

Pirelli claims it did not *expect the guarantees to be* used – a reflection of the con*fidence it misguidedly put* in its hoped-for German support. *However, the indemnities have* now sprung back embarrassingly in its face. Investors in the US, where legal action by shareholders *is* common, are most incensed.

So far, there is no word about plans to sue. Italian investors, long-grown used to shareholder pacts and the poor treatment of minority investors, would probably find the suggestion absurd. Moreover, legal action in Italy, with its slow judicial system, would be pointless. But some foreign investors may feel sufficiently angry, and hurt financially, to seek retribution.

Independence retained at Celatose

By Alice Rawsthorn in Paris

CELATOSE, France's sole baby's napkin manufacturer, has retained its independence *with the appointment* of Mr Michel Mignard as president.

The company had for some time been in discussions *with the Gilinski family, which* has industrial interests in Columbia. The *Gilinskis* said that they had withdrawn from negotiations with Celatose.

For several years, Celatose has struggled against multinational groups, *notably* Procter & Gamble, of the US, and Mölnlycke of Sweden, in the increasingly competitive European nappy market.

Celatose went into receivership in 1989 but has returned to profit since its rescue by Copi, its holding company.

The company, which is still a significant player in own-label nappies, made profits of FFr50m ($9.09m) in 1990.

Procordia drugs arm to buy control of Pierrel

By Robert Taylor in Stockholm

KABI PHARMACIA, the pharmaceutical arm of Procordia, the Swedish conglomerate, is acquiring for SKr500m ($83.9m) the controlling interest held by the Swedish company, Fermenta, in *Pierrel, the Italian pharmaceu*tical group.

The combination of Pierrel and Kabi Pharmacia's existing subsidiary in Italy will form one of the Swedish company's largest operations outside its home base, with estimated annual sales of SKr1.1bn.

As a result of the acquisition, Kabi Pharmacia will own 88 per cent of the voting rights and 71 per cent of the shares in the Italian company. The deal is subject to approval from the Italian anti-trust authorities.

At the same time, the Swedish company also announced it wanted to form a strategic alliance with Zambon, the Italian pharmaceutical group, and did not rule out that group's involvement with the Pierrel acquisition.

Mr Jan Ekberg, Kabi Pharmacia's president, said his company regarded the Pierrel purchase as a "long-term investment of great strategic importance" to the company in Italy and Europe.

Pierrel was acquired by Fer*menta in 1985. It is expected to* make a profit, after financial items, of SKr40m this year, on SKr1bn sales. In fact, the Italian company has been co-operating with Kabi Pharmacia for the past 10 years, since it became a distributor for a number of its products.

Mr Giovanni Soro, Pierrel's president, welcomed the deal. "I believe this merger will benefit all the parties concerned," he said.

While Pierrel would provide strong market organisation for the Swedish company, the Italian concern, in return, would enjoy access to "an international marketing network, many attractive products and valuable competence".

Trafalgar warns on dividend

TRAFALGAR HOUSE, the UK engineering-to-shipping conglomerate, yesterday accused its co-stockbroker, Barclays de Zoete Wedd (BZW), *of failing* to declare a conflict of interest relating to Trafalgar's controversial takeover of the Davy Corporation, writes Roland Rudd in London.

The row came as Trafalgar's share price yesterday fell 26p to 177p after warnings that it may not be able to maintain next year's interim dividend.

This year's payout is maintained at 9.6p, making a total of 18.4p.

Skopbank rescue could cost FM14bn

THE BANK of Finland is restructuring Skopbank, the country's third biggest commercial bank, by removing its largest risk exposures from the balance sheet, writes Robert Taylor.

This follows the decision by the Bank of Finland last September to take direct control of Skopbank as its financial difficulties mounted. It became clear yesterday the cost of saving Skopbank could amount to FM14bn ($720m).

The central bank said it was impossible to estimate how *much the final cost of returning Skopbank to viability* would be, until all the assets transferred from it have been sold off. It added, however, *that it hoped the restructuring* programme would be implemented for the turn of the year.

The Bank of Finland said its holding company, Sponda Oy, would acquire, for a nominal amount, the share capital of the Sifo Group, part of Skopbank, and assume responsibility for FM1.92bn of loans granted to the group.

Sponda Oy is also bidding for most of the real estate owned *by Skopbank, which totals* FM4.45bn. On top of this, Solidium Oy, another Bank of Finland holding company, is prepared to acquire the outstanding loans granted by Skopbank and its subsidiaries to the industrial company, Tampella, to the value of FM3.4bn. The Skopbank group holds around 45 per cent of Tampella's shares. Solidium Oy is also prepared to convert around FM530m of that amount into Tampella share capital.

The Bank of Finland said that because of Tampella's per*ilous financial position,* Skopbank would forego claims on *Tampella* to a value of FM1.5bn. It added, however, that despite *this, Tampella* would record a loss for 1991.

Last night Tampella said the Bank of Finland's measures would bolster its financial structure by around FM2bn, and lessen its debt burden.

In a further measure to ease Skopbank's problems, the Bank of Finland announced it would forego claims to the value of FM1.9bn. This would enable it to meet international capital adequacy requirements.

INTERNATIONAL COMPANIES AND FINANCE

Canada starts race to deregulation

Bernard Simon on plans for more competition in financial services

THE starter's gun is aboutto go off for a rambunctious free-for-all in Canada's financial services.

Within the next few weeks, parliament is likely to approve a package of four bills which will tear down many of the barriers which for years have kept financial institutions in four neat compartments – banks, trust companies, insurance underwriters and securities firms.

Ownership of securities firms was opened to outsiders in 1987. The legislation will make it possible for banks to own insurance companies and to enter fiduciary services, such as estates administration, by acquiring trust companies. The banks will be relieved of their obligation to hold non-interest bearing deposits with the Bank of Canada.

Trust companies will be given virtually the same lending and deposit-taking powers as banks.

Insurers will be able to sell products of other financial institutions and will have considerably wider commercial lending powers. Amendments to the Insurance Act will also make it easier for mutual insurers to convert to stockholder-owned companies.

A clause added recently during parliamentary committee hearings will give banks, trusts and insurers more freedom to form joint ventures with each other and with non-financial institutions.

The changes in prospect are prompting many financial institutions to take a close look at their corporate strategies. Mr Dennis Madden, a Toronto financial services consultant, says: "Every management team has to rethink what business it's in, what business it wants to be in, and what business it does well."

The new laws will considerably tighten corporate governance. The boards of all federally-regulated financial institutions will be required to set up audit and conduct review committees with a majority of non-executive directors. One particularly broad provision requires auditors to notify the chief executive of any matter which may harm the well-being of the company.

Jockeying for position among financial institutions has already started. Mr John Cleghorn, president of Royal Bank of Canada, the biggest bank, said recently: "Our focus is to expand beyond traditional banking frontiers and to become a broadly based supplier of financial services." Royal is especially interested in retirement planning and insurance, reasoning that the baby-boom generation is moving away from borrowing and spending, and towards saving.

Royal has already signed a conditional agreement to acquire a small trust company. It is expanding its investment management business and makes no secret of plans to be a leading force in insurance.

By contrast, Bank of Montreal has put out the word that it has little interest in insurance. One benefit has been to attract the banking business of insurance companies which are reluctant to bare their innermost secrets to a bank which may end up controlling one of their competitors.

The two biggest life assurers, Sun Life of Canada and Manulife Financial – formerly Manufacturers Life – have become increasingly active in the trust business. Several life offices are expected to demutualise over the next few years. The trust companies, whose business centres on mortgage lending and fiduciary services, are more likely to be targets than predators. With the exception of the two biggest trusts, Canada Trust and Royal Trust, they do not have the branch networks or the financial resources to compete head-to-head with the banks and insurance companies.

Every management has to rethink what business it's in, what business it wants to be in, and what it does well.

The trust industry has also been scarred by well-publicised failures. Several companies are still in trouble, and are seeking buyers or partners.

Although the four new laws will have parliamentary approval by Christmas, their implementation is likely to be delayed until the spring. Several insurance companies have asked the department of finance to postpone proclamation so that they can hold forthcoming annual meetings and issue 1991 financial statements under the existing rules.

More important, the authorities have yet to gazette the administrative regulations which will play a key part in determining just how far each type of financial institution can spread its wings.

Of special interest is precisely how Ottawa plans to regulate the entry by deposit-taking institutions into insurance. Strong lobbying by the insurance industry has persuaded the government to retain curbs on the retailing of insurance by banks and trust companies.

Insurance agents and brokers fear that they could be put out of business if the banks are able to use their vast branch networks to sell insurance. The banks will also be barred from passing on certain information about their customers to their insurance subsidiaries.

However, Mr Madden describes the curbs as "impediments, rather than insurmountable obstacles". Mr Cleghorn says Royal Bank will sell life, accident, health and travel policies through various distribution techniques. Already, several banks have forged loose marketing alliances with insurers, allowing them, for instance, to include promotions for home-insurance policies in the same envelope as monthly bank statements.

Mr Robert Korthals, president of Toronto-Dominion Bank, says: "The banks will sell more insurance than the insurance industry will sell deposit products." While that may be so, each group is likely to have its winners and losers.

Certainly the seven major domestic banks, 57 foreign banks, 70 trust companies, 170 life companies and 120 property and casualty insurers will greatly shrink once the tide of acquisitions and mergers gets rolling next year.

More NTT shares for sale

By Robert Thomson in Tokyo

JAPAN'S Ministry of Finance yesterday announced that it is determined to release another tranche of shares this financial year of Nippon Telegraph and Telephone (NTT), the telecommunications utility.

This is in spite of fears that the ailing Tokyo stock market will be unable to digest the 500,000 new shares, equivalent to 3.2 per cent of the shares in issue.

Mr Tsutomu Hata, the finance minister, yesterday told a parliamentary finance committee that the shares would be released by the end of March, though he agreed that the weakness of the Tokyo market and of NTT's share price will mean that the sale will not come, as previously scheduled, before the end of the calendar year.

The NTT share price is a sensitive political issue in Japan because many of the group's shareholders are individual investors now sitting on large paper losses in the privatised company. The shares were originally issued at Y1.6m in 1987, and quickly peaked at Y3.18m, before falling sharply to Y1.43m by April 1989. Yesterday, NTT closed at Y750,000, only Y30,000 above its all-time low. Investors had presumed that government backing of the NTT issue would ensure a healthy share price, but the company's links to the Recruit bribery scandal and the collapse of the Tokyo market last year have seen NTT shares remain far below their peak.

The prospect of a new issue has angered already disgruntled investors, who argue that the government should wait until the stock market recovers before the release of the shares. The government still owns 65.9 per cent of the company and is required by law to hold at least one-third of the shares.

There have been unofficial reports in recent weeks that the government would delay the release indefinitely, but Mr Hata, whose ministry faces a growing budget deficit, yesterday insisted that the sale would proceed. However, Mr Jason James, stock strategist at James Capel Pacific, still doubts that the sale will go ahead.

"The market handled a total of Y360bn ($2.77bn) in new shares in October and only Y270bn in September, so you have to have doubts about its ability to cope with almost Y400bn in one NTT release," he said.

In the past, the Finance Ministry would have expected leading brokers to massage the NTT share price before an issue.

However, the stock scandals this year and the public criticism of the close relationship between bureaucrats and brokers have changed the financial environment.

The ministry could be tempted to wait until after the expected parliamentary approval next year of foreign ownership of NTT shares. A senior government body has recommended that foreigners be allowed ownership of up to 20 per cent of NTT and Kokusai Denshin Denwa (KDD), the international communications utility.

Japanese officials insist that the opening of share ownership to foreigners is not linked to NTT's flagging price but to the trend towards the privatisation and internationalisation of telecommunications bodies.

Some Japanese politicians had opposed foreign ownership, but their opposition has weakened in tandem with the share price.

ASC starts Adsteam share dealing cases

THE Australian Securities Commission (ASC) yesterday started legal action in the federal court alleging illegal share dealing by former directors of the Adelaide Steamship (Adsteam) group, writes Kevin Brown in Sydney.

The case refers to alleged dealing in Adsteam shares in 1985 and 1986 by Mr John Spalvins, the group's former managing director, and Mr Michael Kent, the group's former finance director. Both men have since left Adsteam following the imposition by its bankers of a restructuring plan.

According to the ASC, Mr Spalvins and Mr Kent commissioned Jefferies and Co, a US stockbroker, to deal in shares in Adsteam and David Jones, an associated company.

The ASC says its investigation shows that payments of US$3.8m were made by Jefferies to Fellstore Securities, a UK company owned by Adsteam, David Jones and other members of the Adsteam group.

The ASC alleges the circumstances of the transaction, and the treatment of the profits, constituted breaches of the duties owed by Mr Spalvins and Mr Kent as directors.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.12.91: Pool purchase price £/MWh	Final Prices for Trading on 08.11.91: Pool purchase price £/MWh	Final Prices for Trading on 08.11.91: Pool selling price £/MWh
0030	16.63	16.28	16.28
0100	16.83	18.55	20.47
0130	17.50	21.00	22.99
0200	17.50	21.00	22.97
0230	16.83	18.55	20.45
0300	16.61	16.25	16.25
0330	16.58	16.22	16.22
0400	16.49	16.15	16.15
0430	16.44	16.15	16.15
0500	16.46	16.12	16.12
0530	16.49	16.19	16.19
0600	16.49	16.19	16.19
0630	16.61	16.25	16.25
0700	16.65	18.44	20.34
0730	19.65	19.00	20.92
0800	20.17	19.38	21.33
0830	20.33	27.37	29.59
0900	20.35	27.40	29.58
0930	20.72	27.43	29.54
1000	24.06	27.44	29.57
1030	24.05	27.44	29.63
1100	20.41	21.10	23.12
1130	20.41	25.27	27.44
1200	20.42	25.32	27.50
1230	20.42	25.29	27.47
1300	20.41	25.20	27.32
1330	20.41	20.58	22.53
1400	20.41	20.27	22.21
1430	20.41	20.26	22.20
1500	20.42	20.26	22.20
1530	20.65	19.87	21.80
1600	38.25	19.95	21.89
1630	109.87	29.36	32.54
1700	166.81	85.97	101.12
1730	169.56	115.57	132.84
1800	101.90	118.09	134.25
1830	42.04	66.19	77.26
1900	27.69	38.82	43.75
1930	24.30	27.06	29.50
2000	23.99	23.09	25.15
2030	20.31	19.28	21.14
2100	20.08	19.22	21.12
2130	19.65	19.00	20.90
2200	19.30	18.75	20.64
2230	16.83	18.65	20.55
2300	16.58	16.40	16.40
2330	16.50	16.19	16.19
2400	16.48	16.15	16.15

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTERNATIONAL COMPANIES AND FINANCE

Royal Bank of Canada earnings show slight rise

By Bernard Simon in Toronto

ROYAL Bank of Canada posted a small increase in fiscal 1991 earnings, with a slump in domestic business offset by higher interest payments from Third World borrowers, strong growth in currency and interest-rate swap fees and expanded corporate business in the US.

RBC, which is Canada's biggest financial institution, lifted net income to C$983.5m (US$870.3m) for the year to end-October from C$964.9m in fiscal 1990. Per-share earnings dipped to C$2.91 from C$2.96.

Return on equity fell to 15.5 per cent from 17.5 per cent, and return on assets was down slightly to 0.76 per cent. The bank's assets rose 5 per cent to C$132.4bn on October 31, with the bulk of the growth coming from residential mortgages.

Loan-loss provisions rose to C$605m from C$420m and non-accrual loans to C$2bn from C$1.7bn.

But there was a wide disparity between the performance of the bank's Canadian and international businesses. The unexpectedly severe recession in Canada pushed domestic income down by 19 per cent to C$567m. Loan losses rose by 51 per cent and non-performing loans by 63 per cent.

By contrast, international income soared by 58 per cent to C$416m. More than half the increase came from higher Third World interest payments, including an extra C$55m from Brazil, and a C$100m reversal in country-risk provisions.

In addition, RBC has reaped the benefits of a relatively low exposure to the troubled US real estate market and to highly leveraged borrowers. Its ratio of international loan losses to assets – excluding LDC loans – was only 0.3 per cent, compared with 0.8 per cent on domestic business.

Operations outside Canada account for about one-fifth of the bank's assets, with US customers making up 40 per cent of international loans. Fee income, mainly from swaps, jumped by C$65m, or 21 per cent.

The bank does not expect a significant improvement in its domestic business in the year ahead. Although the Canadian economy is in the early stages of recovery, the pick-up is likely to be slow and erratic. Loan losses and non-performing loans will probably remain roughly at present levels until a more robust upswing takes hold.

Digital launches personal workstation

By Louise Kehoe in San Francisco

DIGITAL Equipment yesterday announced an aggressively priced "personal workstation" in a drive to expand its share of the high-performance desktop computer market.

Digital's new entry-level Risc (reduced instruction set computing) workstation will sell in the US for $3,995, undercutting the price of workstations with similar performance and also challenging comparable high-end IBM-compatible personal computers.

Demonstrating a prototype version of Microsoft's "Windows NT", next generation personal computer operating system running on its new workstations, Digital also sought to boost flagging confidence in the Ace consortium bid to create new hardware and software standards for desktop computing, challenging the established IBM-compatible standard.

Digital was one of the founding members of Ace, an industry group launched nine months ago. Ace aims to create new desktop computing standards based upon a new generation of Risc microprocessor chips from Mips Computer and upon Microsoft's "Windows NT" operating system which is scheduled for introduction next year.

Ace's promise has been clouded recently by the disappointing financial performance of some key members of the group, including Compaq Computer, Mips and the Santa Cruz Operation.

Digital is determined to maintain the momentum of the Ace initiative, which remains a key element of its strategy to expand its share of the desktop computer market. A big challenge facing Digital and other Ace members, however, is to bridge the gap between current products and those to be based upon Ace standards.

Digital's approach is to offer machines that can be upgraded to accommodate Mips Computer's new R4000 Risc processor, when it becomes available some time next year, as well as demonstrating the ability to run Microsoft's NT, even before it reaches the market.

Meanwhile, Digital must compete with established workstation market leaders offering versions of the AT&T Unix operating system including Sun Microsystems, Hewlett-Packard and IBM.

Pan Am bankruptcy hearing delayed

By Nikki Tait in New York

A US court hearing, which could see Pan Am re-emerge from Chapter 11 bankruptcy protection, was delayed yesterday as last-minute negotiations between the ailing airline's creditors, management and potential investors continued.

The bankruptcy court hearing was originally scheduled to begin at 2pm in Manhattan. But, eleventh-hour discussions prompted the start to be postponed to 3pm by mid-morning.

The outline of Pan Am's reorganisation plan has been clear since mid-August, when the international carrier reached a deal with Delta Air Lines, then number three in the US airline industry.

Delta agreed to buy Pan Am's East Coast Shuttle and its remaining trans-atlantic assets, and to take an equity stake of around 45 per cent in the reorganised Pan Am business. It also agreed to meet certain Pan Am liabilities, including some of the airline operating losses. The "reorganised" Pan Am would then concentrate on running its Latin American service from a Miami hub.

Transfer of the Pan Am assets went ahead in the autumn. But the carrier's worsening operating situation prompted Delta to reopen negotiations over some aspects of its proposed investment in Pan Am.

Other parties with an interest in the Pan Am bankruptcy – ranging from employee representatives to the Pension Benefit Guaranty Corporation, a federal agency which underpins pension benefits – were also still in talks this week.

Pan Am filed for Chapter 11 bankruptcy protection in January after years of losses – partially staunched by asset sales – causing cash resources to dwindle to low levels.

IBM executive announces retirement

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines' top mainframe computer executive, Mr Carl Conti, is to retire at the end of the year.

Mr Conti, 54, is an IBM senior vice-president and member of the company's corporate management board. He has been responsible for IBM's key mainframe products division since 1988. An IBM veteran, he joined the company in 1959.

Mr Conti's sudden departure comes as IBM begins to implement a broad restructuring of its operations that is expected to lead to numerous management changes. IBM officials said, however, that Mr Conti's retirement was not related to the company's reorganisation plans.

"Carl Conti has been associated with virtually every major advance in our large systems business since his first days with the company," said Mr John F. Akers, chairman.

Mr Conti will be succeeded by Mr Nicholas M. Donfrio, president of IBM's data systems division and an IBM vice-president. Mr Donfrio will continue as DSD president, a position he has held since January. Previously, he was president of IBM's advanced workstation division where he was responsible for the development of an important new range of computer workstation products.

Analysts noted that Mr Donfrio's appointment signals the growing influence within IBM of executives from outside the company's traditional mainframe computer power base.

Separately, IBM Canada said it intends to sell its securities industry services unit to Westbridge Computer. IBM Canada, which owns 27 per cent of Westbridge, said the division has revenue in excess of C$25m (US$22.12m) a year.

PepsiCo and Lipton form joint venture

PEPSICO has formed a joint venture with the Thomas J. Lipton a subsidiary of Unilever, the Anglo-Dutch consumer products group, to develop and market tea-based drinks, and expand distribution of Lipton ready-to-drink products, Reuter reports from New York.

PepsiCo said the joint venture will begin operation in January, with product development beginning immediately.

Pepsi-Cola bottlers will phase in distribution of Lipton ready-to-drink products in 1993. PepsiCo said its Pepsi-Cola International unit and Unilever will explore international affiliations on a market by market basis.

The company said that it and Lipton annually sell more than $11bn of beverages worldwide.

AT&T may face charge for retirement benefits

By Martin Dickson in New York

AMERICAN Telephone & Telegraph, the largest US telecommunications group, yesterday estimated that it expects to face a $5.5bn to $7.5bn after-tax and non-cash charge to comply with new standards of accounting for post-retirement health benefits for its employees.

The liability stems from a new rule from the Financial Accounting Standards Board which requires all US employers to accrue the cost of non-pension retirement benefits for employees over their working careers, rather than charge them against earnings when the payments are actually made. The rule comes into effect at the start of 1993.

Companies can either take the write-off in a single charge or amortise it over 20 years. AT&T said it expected to take a one-time charge, probably in the first quarter of 1993.

It added that, based on current assumptions, the difference between accruing liabilities and operating the current pay-as-you-go system might mean no additional impact on earnings in future years, or at the most a $100m a year reduction. Last year, the group earned $3.1bn. It employs 325,000 people and has about 140,000 retirees.

AT&T is the latest of numerous leading companies to announce large charges in connection with the rule-change. However, its accumulated liability is well below that of General Motors, the car manufacturer, which probably faces the steepest charge of any US company, between $16bn and $24bn.

Guaranty sells branches to buttress capital

HARD-PRESSED Central Guaranty Trustco has sold 48 branches in Quebec and Atlantic Canada to National Bank of Canada for more than C$50m (US$44.2m), writes Robert Gibbens in Montreal.

Guaranty said the cash will buttress its capital which has been variously eroded by a third-quarter loss of C$117m.

Guaranty now becomes the country's fifth largest trust company, down from fourth. It retains 110 branches and assets will be about corporate C$10bn. The third-quarter loss included C$98.5m loan loss provision.

Guaranty also suspended preferred dividends and may make further disposals in view of expected fourth-quarter losses.

INTERNATIONAL CAPITAL MARKETS

Sterling mortgage backed issues downgraded

By Simon London

FIFTEEN sterling mortgage backed bond issues totalling around £1.5bn have been downgraded by Standard & Poor's, the US credit rating agency, following a decline in the credit quality of the insurance companies which insured deals.

Most of the bond issues are collateralised on mortgages written by The Mortgage Corporation, a subsidiary of Salomon Incorporated, the parent company of the troubled US securities firm.

Nine of the issues were backed by Eagle Star, the UK insurer owned by BAT Industries, which insured bond holders against default on the mortgages which underlie the bonds. Eagle Star had its credit rating for claim paying ability downgraded from AA to AA- last week and the bond issues have been lowered to the same level.

The other six issues were backed by Pohjola Insurance, the US insurer, which was downgraded from triple-A to AA+ in July. The bond issues backed by Pohjola, TMC Mortgage Securities Nos 5 to 10, have now been lowered to this level.

Last week, S&P downgraded £1.2bn mortgage backed bonds following a decline in the claims paying ability of Sun Alliance.

Sabic set to borrow $2bn for expansion

SAUDI Basic Industries Corporation (Sabic), the Saudi Arabian petrochemical group, will borrow up to $2bn from domestic banks in 1992 to finance expansion plans, bankers in Riyadh said, Reuter reports.

They said a deal for the first credit, a syndicated $500m loan for Sabic subsidiary Saudi European Petrochemical Company (Ibn Zahr), would probably be signed this month.

The eight-and-a-half-year loan, priced half a basis point over the London interbank offered rate, will help pay for new methyl tertiary butyl ether (MTBE) and polypropylene plants.

Ibn Zahr is expected to spend around $860m on the projects, part of plans by Sabic to boost its petrochemical and fertiliser production to 20m tonnes a year by 1995 from the current 13m.

Sabic, 70 per cent owned by the Saudi government, has not said how much the programme will cost. Ten of its 12 affiliates in the Jubail industrial complex are expanding, with completion due by 1992 or 1993.

Bankers said negotiations had begun on a $324m loan to build a 500,000-tonne-per-year MTBE plant at another Sabic subsidiary, the Saudi Methanol Company.

A $500m to $600m loan for a third subsidiary, the Saudi Eastern Petrochemical Company, was also being considered and would probably also be put to the market during the first quarter of 1992, they said.

Bankers said Saudi Arabia's 12 commercial banks would have no problems in absorbing the loans.

Burdened by Gulf war costs, the Saudi government told its state-owned institutions to begin borrowing from commercial banks early this year. Terms on deals seen during the past few months have shown steady improvement, bankers say.

Abdulaziz Abdullah al-Zamel, Sabic chairman and also the industry and electricity minister, says the conglomerate will make its marketing network more international.

Four Saudi banks, National Commercial Bank, Riyad Bank, Saudi American Bank, and Bank al-Saudi al-Fransi, are lead managers for the first $500m loan for Ibn Zahr.

Crédit Lyonnais opens office in St Petersburg

CREDIT Lyonnais, the French state-owned bank, has set up Crédit Lyonnais Russie, the first foreign bank to be based in the Russian city of St Petersburg, the recently-renamed city of Leningrad, Reuter reports.

Crédit Lyonnais Russie will have capital of 20m Ecus or $25.2m, and will carry out the business of commercial banking in the Russian republic, Mr Jean-Yves Haberer, Crédit Lyonnais chairman, said.

"We are currently seeking authorisation from the Russian central bank to exercise our banking functions," he added.

Mr Haberer said that Crédit Lyonnais Russie could have a role to play in privatisations in Russia.

UK long gilts rally in line with continental sentiment

By Simon London in London and Karen Zagor in New York

UK GOVERNMENT bonds rallied strongly at the longer maturities yesterday in line with continental European markets, although gains at the shorter end were restricted by an overhang of unsold government tap stock.

The March gilts futures contract on the London International Financial Futures Exchange, which took over from the December contract as the most heavily traded future this week, closed at 94.14 after opening at 94.00. Trading volume was a healthy 21,500 contracts.

The benchmark 11¾ per cent gilt maturing 2003/2007 closed up $\frac{7}{16}$ of a point on the day at 112⅞ for a yield of 9.88 per cent.

However, at the short end gains were smaller. For example, the benchmark 10 per cent gilt maturing 1996 was up just $\frac{1}{32}$ of a point on the day for a yield of 9.90 per cent.

Dealers said gains at the shorter end were capped by Treasury tap stock which has not been sold, while the longer maturities now remain free of new paper.

Analysts said that, even at the long end, gains are likely to be limited ahead of the Bundesbank council meeting tomorrow, which could decide to raise German interest rates.

■ US TREASURIES moved narrowly higher yesterday as hopes of an imminent easing in monetary policy filtered into the market.

In late trading, the Treasury's benchmark 30-year bond gained ⅛ to 101$\frac{4}{32}$, yielding 7.89 per cent, after losing ground in morning trading. Shorter-dated maturities were higher through most of the day on the back of expectations that monetary policy will be eased within weeks. The strength at the short end helped lift the long end of the yield curve.

The Federal Reserve arranged $2.5bn in customer repurchase agreements when Fed Funds were trading at 4⅞ per cent. Economists had expected the move, which adds liquidity to the banking system, and there were no policy implications to the Fed's open market operation.

Although there is growing speculation that the Fed will ease again this year, the bond market is unlikely to see much movement until the November employment figures are released on Friday.

The October index of leading indicators came in as expected, with an advance of 0.1 per cent after easing 0.1 per cent in September.

New single-family home sales grew 2.2 per cent in October. September's sales were revised to show a decline of 4.9 per cent from a previously reported drop of 12.9 per cent.

■ THE French government bond market bounced back after its recent slide, although observers remained divided about the extent to which this signalled a return by investors to take advantage of the widening spread against German bonds.

The benchmark 9½ per cent bond maturing 2001 was trading at 103¾ late in the day, for a yield of around 8.93 per cent.

German government bonds, meanwhile, firmed by around a quarter of a point on the day in light trading.

■ JAPANESE government bonds traded quietly in a narrow range ahead of the publication today of third-quarter gross national product figures. The slight rebound in the Tokyo market after Monday's sharp fall also left the bond market marking time.

The yield on the benchmark No 129 issue, which opened at 5.785 per cent, rose slightly to close at 5.79 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.7032	-0.003	9.81	9.81	9.85
BELGIUM		9.000	06/01	98.9500	+0.050	9.16	9.13	9.08
CANADA *		8.500	04/02	100.1500	+0.010	8.48	8.61	8.54
DENMARK		9.000	11/00	99.4750	-0.050	9.09	9.03	8.94
FRANCE	BTAN	8.500	11/96	97.2153	-0.150	9.21	9.11	8.93
	OAT	9.500	01/01	103.4700	+0.520	8.92	8.92	8.75
GERMANY		8.25	09/01	99.5800	+0.230	8.30	8.27	8.35
ITALY		12.000	06/01	96.3300	-	12.68	12.66	12.39
JAPAN	No 119	4.800	06/99	93.2554	+0.122	6.10	6.22	6.21
	No 129	6.400	03/00	103.3903	-0.001	5.79	5.90	5.87
NETHERLANDS		8.500	03/01	97.9500	+0.130	8.82	8.77	8.77
SPAIN		11.900	07/96	98.7000	-0.100	11.93	11.87	11.58
UK GILTS		10.000	11/96	100-06	+01/32	9.95	10.02	9.79
		10.000	02/01	100-19	+08/32	9.90	9.98	9.78
		9.000	10/08	94-23	+11/32	9.84	9.75	9.57
US TREASURY *		7.500	11/01	101-17	+08/32	7.28	7.44	7.44
		8.000	11/21	101-04	+02/32	7.90	7.97	7.88

London closing, *New York closing. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

First Chinese international equity offer

A CHINESE company, Shanghai Vacuum Electronics Devices Company, is preparing to bring the first Chinese equity offering to the international market, writes Tracy Corrigan.

Underwriting agreements have been signed, but a number of legal and accounting hurdles still have to be overcome. However, the rules permitting an international stock offering are understood to be in place.

Given the complexity of the transaction, the offering is unlikely to emerge before the end of the year.

Shanghai Vacuum, which makes television tubes, will offer a total of 1m shares. Swiss Bank Corporation, lead-underwriter of the international tranche, and Salomon Brothers will place 320,000 shares each, while Sun Hung Kai will distribute a further 160,000 shares. The domestic tranche will be underwritten by Shen Yin Securities. The offer price will be Yn400 per share, a substantial discount to the current share price.

International distribution of the offering is expected to be concentrated in Asia, but the underwriters will also be testing the ground in Europe.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on December 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105⅝	106⅛	+⅛	6.72
ALBERTA PROVINCE 9 3/8 95	600	108¾	109⅛	+⅛	6.74
AUSTRIA 8 1/2 00	400	104⅞	105⅜	+⅛	7.67
BANK OF TOKYO 8 3/8 96	100	103⅜	104⅛		7.31
BELGIUM 9 5/8 98	250	110⅜	111⅛	+⅛	7.49
BFCE 7 3/4 97	150	102⅞	103½	+⅛	7.06
BNP 8 5/8 94	300	105⅝	106	+⅛	6.25
BRITISH GAS 8 3/8 99	350	104½	105	+⅛	7.58
CANADA 9 96	1000	108⅜	108⅝	+⅛	6.65
CARCO 9 1/4 96	650	103½	104½		8.30
CCCE 9 1/4 95	300	108⅛	108½		6.38
COUNCIL EUROPE 8 96	100	104½	105	+½	6.83
CREDIT FONCIER 9 1/2 99	300	110⅝	111⅛	+⅛	7.51
DENMARK 8 1/4 94	150	105	105⅜	+⅛	6.17
DENMARK 9 1/4 95	1571	108⅛	108⅜	+⅛	6.42
ECSC 8 1/4 96	193	105½	106	+⅛	6.91
EEC 8 1/4 96	100	105	105⅜	+⅜	6.91
EIB 7 3/4 96	250	103½	104	+⅛	6.82
EIB 9 1/4 97	1000	109⅞	110⅛	+⅛	7.15
ELEC DE FRANCE 9 98	200	107¾	108⅜	+⅛	7.38
EURO CRED CARD TST 9 94	325	103⅞	104⅛		7.43
EUROFIMA 9 1/4 96	100	107⅜	108⅜	+⅛	7.07
EXPORT DEV CORP 9 1/2 98	150	110½	110⅞	+⅛	7.42
FINLAND 7 7/8 97	200	102⅞	103½	+⅛	7.21
FINNISH EXPORT 9 3/8 95	200	108⅜	109	+⅛	6.78
FORD CAPITAL 9 3/4 97	250	105⅜	106⅜		8.38
GEN ELEC CAPITAL 9 3/8 96	300	108	108½	+⅛	7.21
GMAC 9 1/8 96	200	104⅜	105		7.86
GUINNESS FINANCE 8 94	200	103⅝	104⅛	+⅛	6.42
IBM INTL FIN 7 3/4 94	200	103⅞	104⅛		5.99
IND BK JAPAN FIN 7 7/8 97	200	101⅞	102⅜		7.45
INTER AMER DEV 7 5/8 96	200	102⅜	103⅛	+⅛	6.92
ITALY 8 1/2 94	1500	106⅛	106½	+⅛	6.07
JAPAN DEV BK 8 94	150	104⅛	104½	+⅛	6.12
KANSAI ELEC PWR 10 96	350	110⅜	110⅞	+⅛	7.11
LTCB FIN 8 97	200	101½	102⅛		7.63
NEW ZEALAND 9 94	850	106⅛	106⅜		6.42
NIPPON CRED BK 10 3/8 95	150	109⅛	109⅞		7.37
NIPPON TEL & TEL 9 3/8 95	200	107⅝	108⅛	+⅛	6.67
ONTARIO 8 1/2 01	600	103	103⅜	+⅛	8.02
ONTARIO HYDRO 11 5/8 94	200	110⅝	111⅛	+⅛	6.24
OSTER KONTROLLBANK 8 1/2 01	200	104	104⅜	+⅛	7.87
PETRO-CANADA 7 1/4 96	200	101⅛	101⅞	+⅛	6.93
QUEBEC HYDRO 9 3/4 98	150	109⅝	110⅛	+⅛	7.86
QUEBEC PROV 9 98	200	105⅞	106⅜	+⅛	7.78
SAINSBURY 9 1/8 96	150	107	107⅝	+⅛	7.34
SAS 10 99	200	106⅛	107½	+⅛	8.78
SBAB 9 1/2 95	500	108⅜	108⅞		6.70
SNCF 9 1/2 98	150	110⅛	110⅝	+⅛	7.47
STATE BK NSW 8 1/2 96	200	104⅜	105	+⅛	7.32
SWEDEN 8 1/8 94	150	104½	105⅛	+⅛	6.17
TOKYO ELEC POWER 8 3/4 96	300	106⅝	107⅛	+⅛	7.01
TOKYO METROPOLIS 8 1/4 96	200	105⅛	105⅝	+⅛	6.98
WORLD BANK 8 3/8 99	1500	106	106⅛	+⅛	7.49
WORLD BANK 8 3/4 97	1500	108⅝	108⅞	+⅛	6.88
XEROX CORPN 8 3/8 96	100	102	102⅞	+⅛	7.85

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	100½	101		10.93
BK ECON USSR 7 96	750	69⅛	69⅝	-⅛	17.78
BULGARIAN TRADE BK 8 1/2 96	200	84⅝	85⅛		13.10
CZECH OBCHODNI BANKA 10 95	350	96⅛	96⅞		11.13
DEUTSCHE FINANCE 7 1/2 95	1000	97	97	-⅛	8.62
EIB 5 3/4 98	400	87⅜	87¾	-⅛	8.39
EIB 6 7/8 95	300	96⅛	96½	-⅛	8.01
EUROFIMA 6 1/4 98	400	89⅜	89⅞		8.42
FIRST INTERSTATE 5 3/4 96	100	84⅝	85	-⅜	10.22
IND BK JAPAN FIN 5 5/8 96	200	89½	89⅞	-⅛	8.69
IND DEV BK INDIA 6 3/8 94	200	88⅛	88⅝	+½	10.90
LUFTHANSA INT FIN 5 7/8 98	500	87	87	+⅛	8.59
NACIONAL FINANCIERA 11 95	150	102⅝	102⅞		10.04
NAT BK HUNGARY 8 96	300	90⅝	90⅞		10.53
QUEBEC HYDRO 6 3/4 99	300	89⅜	89⅞		8.66
SWEDEN 6 1/8 98	300	88⅜	88¾		8.47
WORLD BANK 0 15	2000	18	18	-⅛	7.39
WORLD BANK 5 3/4 96	300	90⅝	90⅞		8.43
WORLD BANK 7 1/8 95	500	97⅛	97⅝	-⅛	8.20

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	87½	88	+⅛	7.23
AUSTRIA 4 5/8 98	100	88	89½	-⅜	7.08
CHUBU ELEC POWER 6 3/4 01	300	99	99½		6.89
COUNCIL EUROPE 4 3/4 98	250	88	88¼		7.21
EEC 5 1/2 00	100	89	90		7.21
EIB 6 1/2 98	600	98¼	98¾		6.78
ELEC DE FRANCE 7 1/4 06	100	101	102		7.13
FINLAND 5 3/8 95	150	93½	94½		7.34
GENERAL MOTORS 7 1/2 95	100	98½			8.01
JAPAN DEV BK 5 1/2 94	100	96	96½	+⅛	7.54
KOBE 6 3/8 01	240	95	96	-1	7.10
NEW ZEALAND 4 7/8 99	200	86	86½	-⅛	7.46
QUEBEC HYDRO 5 08	100	73½	74		7.95
WORLD BANK 5 03	150	84	84½		7.05
WORLD BANK 7 01	600	101½	101⅞		6.77

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	98⅛	98½		5.71
CREDIT FONCIER 5 1/4 94	20000	98⅛	98⅝		5.94
DENMARK 7 95	40000	103½	103⅞	-⅛	5.75
EIB 4 5/8 94	40000	97⅜	98		5.63
ELEC DE FRANCE 5 5/8 96	20000	99	99½		5.86
FINLAND 6 3/4 96	50000	102⅛	102½		6.13
INTER AMER DEV 7 1/4 00	30000	107⅞	108⅛		6.03
KANSAI ELEC PWR 4 5/8 94	60000	96⅞	97⅛		6.04
NIPPON TEL & TEL 5 7/8 96	50000	99½	99⅞		5.99
NORWAY 5 1/8 95	50000	98⅝	98⅝		5.66
SNCF 6 3/4 00	90000	104⅝	104⅞		6.02
SWEDEN 5 5/8 95	20000	98⅜	99⅛	-⅛	5.99
WORLD BANK 6 3/4 00	50000	105	105⅜	-⅛	5.96

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.65
COPENHAGEN TEL 8 5/8 96 LFr	600	98	98¾		9.22
WORLD BANK 8 96 LFr	1000	96⅛	97½		9.09
ABN AMRO HOLDING 9 1/4 01 Fl	750	102⅛	102⅝		8.87
UNILEVER 9 00 Fl	500	102⅞	103⅛		8.52
ALBERTA,PROVINCE 10 5/8 96 C$	500	106⅛	106⅝		8.73
BELL CANADA 10 5/8 99 C$	150	106⅛	106⅝		9.44
BRITISH COLUMBIA 10 96 C$	500	104⅛	104½	-⅛	8.79
EIB 10 1/8 98 C$	130	105⅛	106	+⅛	9.00
ELEC DE FRANCE 9 3/4 99 C$	275	103⅞	104⅜	-⅛	9.02
FORD CREDIT CANADA 10 94 C$	100	103	103⅝		8.66
GEN ELEC CAPITAL 10 96 C$	300	104⅛	104⅞		8.79
KFW INT FIN 10 01 C$	400	103⅞	104⅜	-⅛	9.34
NIPPON TEL & TEL 10 1/4 94 C$	200	105½	106	-⅛	9.23
ONTARIO HYDRO 10 7/8 99 C$	500	107⅝	107⅞		9.37
OSTER KONTROLLBANK 10 1/4 99 C$	150	105⅝	106⅛		9.18
QUEBEC PROV 10 1/2 98 C$	200	105½	106	-⅛	9.39
BELGIUM 9 1/8 96 Ecu	1250	100	100⅛	+⅛	9.10
CREDIT LYONNAIS 9 96 Ecu	125	97⅛	98⅜	-⅛	9.62
DENMARK 7 5/8 96 Ecu	250	92⅛	93⅛	-⅛	9.90
EEC 7 5/8 94 Ecu	200	96⅛	96⅝		9.61
EIB 10 97 Ecu	1125	104⅛	104⅜		8.96
FERRO DEL STAT 10 1/8 98 Ecu	500	103⅞	104⅛	+⅛	9.26
ITALY 10 3/4 00 Ecu	1000	109⅛	109½	+⅛	9.10
UNITED KINGDOM 9 1/8 01 Ecu	2750	101⅛	101⅜	+⅛	8.91
BP AMERICA 12 1/4 96 A$	100	107⅛	108⅛		9.90
COMM BK AUSTRALIA 13 3/4 99 A$	100	117⅛	117⅞	-⅛	10.39
EKSPORTFINANS 12 3/8 95 A$	75	109	109½		9.20
EUROFIMA 14 5/8 94 A$	75	111⅛	111⅞	-⅛	9.18
MCDONALDS CANADA 15 95 A$	100	114⅝	115⅛		9.88
NAT AUSTRALIA BANK 14 3/4 94 A$	150	110⅛	110⅝		9.39
STATE BK NSW 14 1/4 99 A$	100	117⅛	117⅞		10.85
UNILEVER AUSTRALIA 12 98 A$	150	108⅛	108⅞		10.15
VOLKSWAGEN INTL 15 94 A$	100	110⅜	111⅛	-⅛	9.66
ABBEY NATL TREAS 13 3/8 95 £	100	106⅛	106⅝		10.93
ALLIANCE & LEICS 11 3/8 97 £	100	100⅜	100⅞		11.24
BRITISH GAS 12 3/4 95 £	300	105⅛	105⅝		10.69
DEUTSCHE BK FIN 11 94 £	225	100⅞	101⅛		10.55
EIB 10 97 £	536.5	98⅝	98⅞	+⅛	10.34
FINLAND 10 1/8 97 £	100	99	99½		10.36
INTER AMER DEV 11 3/8 95 £	75	102⅛	102⅞		10.52
ITALY 10 1/2 14 £	400	97⅛	97⅞	+⅛	10.75
LAND SECS 9 1/2 07 £	200	84⅝	84⅞	+⅛	11.68
NORWAY 10 1/2 94 £	200	100	100⅜		10.46
ONTARIO 11 1/8 01 £	100	102	102⅜	+⅛	10.76
SEVERN TRENT 11 1/2 99 £	150	101⅛	101⅞	+⅛	11.19
SKANDINAVISKA ENSK 13 1/8 95 £	100	105⅛	105⅝		11.10
TOKYO ELEC POWER 11 01 £	150	102	102½		10.63
WORLD BANK 11 1/4 95 £	100	102⅛	102⅝		10.44
ABBEY NATIONAL 0 96 NZ$	100	63⅜	64⅛		9.76
BNP 12 96 NZ$	50	109½	110½		9.23
CEPME 10 95 FFr	2000	101⅝	102	+⅛	9.40
ELF-AQUITAINE 9 99 FFr	600	98⅛	98⅝	+⅛	9.31
EURATOM 7 5/8 98 FFr	500	92	92⅜		9.29

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.49	99.59	10.6425
BANCO ROMA 0.03 01	200	91.47	92.49	6.4675
BELGIUM 1/16 97 DM	500	99.97	100.07	9.5000
BFCE -0.02 96	350	99.98	100.09	4.9175
BNP 05	300	95.33	96.26	5.5625
BRITANNIA 1/10 96 £	150	99.10	99.30	10.6625
CCCE 06 ECU	200	99.94	100.04	10.1563
CITIZENS FED 0.15 96	100	99.42	99.88	5.9625
CREDIT FONCIER -1/16 98	200	99.94	100.04	5.3438
DENMARK -1/8 96	1000	99.80	99.90	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.94	100.04	9.5156
ELEC DE FRANCE 1/8 99	400	100.58	101.04	6.0625
FERRO DEL STAT 94	200	100.53	100.77	5.9375
HALIFAX 1/10 94 £	200	99.94	100.04	10.5375
IRELAND 98	300	99.50	99.60	6.4400
ITALY 00	500	100.32	100.42	6.3750
LEEDS PERMANENT 1/8 96 £	200	99.30	99.46	10.4375
LLOYDS BANK 1/10 PERP S.3	600	80.79	82.39	6.0375
MITSUI FIN ASIA 1/8 96	100	99.58	99.73	5.9375
MORGAN (JP) 1/4 97	250	99.02	99.80	5.2500
NAT WEST FIN 3/16 05	400	91.28	92.43	5.5000
RENFE 98	500	99.86	99.96	5.0000
SOCIETE GENERALE 96	300	99.49	99.59	5.6250
STATE BK VICTORIA 0.05 99	125	98.49	98.74	6.4875
UNITED KINGDOM -1/8 96	4000	99.95	99.99	5.2500
YORKSHIRE BS 1/10 94 £	165	99.58	99.67	10.5063

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	125⅝	127	
CHUBB CAPITAL 6 98	250	86	101⅝	102½	+30.69
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	95⅛	96⅛	+13.26
EASTMAN KODAK 6 3/8 01	300	50.67	101⅞	102⅜	+10.12
GOLD KALGOORLIE 7 1/2 00	65	1.0554	79	80	+49.67
HANSON 9 1/2 06 £	500	2.5875	94⅝	95⅜	+23.66
HAWLEY 6 02 PREF	400	19.1	78	80¾	
HILLSDOWN 4 1/2 02 £	150	3.97	115⅛	116	
LAND SECS 6 3/4 02 £	84	6.72	82⅞	83⅝	+15.61
LASMO 7 3/4 05 £	90	5.64	75⅛	76⅛	+54.54
MITSUI BANK 2 5/8 03	200	2337½	86⅝	88⅛	+14.10
MOUNT ISA FIN 6 1/2 97	100	2.283	89⅛	90⅛	+30.21
OGDEN 6 02	85	39.077	76	77	+58.39
SMITH & NEPHEW 4 02 £	90	1.775	118⅜	119⅜	+57.39
SUMITOMO BANK 3 1/8 04	300	3606.9	74⅞	75⅛	+18.64
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	87⅛	88⅝	
THORN EMI 5 3/4 04 £	103	7.45	117½	118⅜	+12.95

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month ‡above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Spain plans to float off 20% of Banco Exterior

By Peter Bruce in Madrid

THE SPANISH government is planning to float off nearly 20 per cent of its largest public sector financial institution, Banco Exterior, next year in a bid to deal with growing pressure on the country's public sector deficit.

The state directly controls 89.7 per cent of Exterior, whose chairman, Mr Francisco Luzon, said yesterday a partial privatisation next year could reduce the state's holding to 51 per cent. At current prices, that could raise around Pta70bn ($679.61m).

Mr Luzon's confirmation of persistent rumours surrounding Exterior, the country's fifth largest bank, comes hard on the heels of suggestions that Madrid is considering selling off a further large tranche of the large public sector energy conglomerate, Repsol, next year as well.

Senior Finance Ministry officials have warned, however, the flotations will only take place if the stock markets can absorb the issues. The Spanish markets have been weak for most of this year, and projected inflation increases in early 1992 could weaken them further.

Nevertheless, the budget deficit planned for 1992 is 2.3 per cent of GDP, a sharp increase on the 0.9 per cent targeted – and missed – for 1991 and the government is urgently seeking ways to augment income.

The state has 66.5 per cent of Repsol, and suggestions by the company that this could fall to below 50 per cent in a flotation next year imply income of at least Pta120bn at current share prices. Madrid floated off a first tranche of Repsol in 1989 to raise nearly $1bn.

Banco Exterior is the leading institution in the recently-created Corporacion Bancaria de España, a pooling of all the state's financial institutions, which yesterday formally renamed itself Argentaria.

Its combined assets total Pta9.4 trillion (million, million), making it the biggest bank in the country and pools, along with the recently-merged Banco Exterior and the Banco de Credito Industrial, the post office savings bank, Caja postal, the state's mortgage bank, its municipal and agricultural lending institutions.

Javelin succumbs to price war

By Richard Waters

JAVELIN Securities, one of three stockbrokers specialising in soft commissions in the UK, is to be sold, signalling the pressure that has built up on this fast-growing part of the broking industry since a fierce price war broke out over a year ago.

Javelin, set up only two years ago, is one of the small group of agency broking firms which deal on a soft commission basis – that is, they refunded a fixed proportion of commissions they received by supplying their customers with services such as computer screens or subscriptions to specialist research houses.

The practice was formally sanctioned by the UK's Securities and Investments Board only last year, after prolonged debate about whether it should be allowed.

Specialist brokers generally refund 50 to 55 per cent of the commissions they receive. They have been under severe pressure since Warburg Securities and other integrated securities firms launched a price war last year, offering to refund up to 83 per cent of commissions they receive.

Its existing controlling shareholder, Pinestreet, a venture capital company owned by American International Group, the US insurer, was not willing to put up extra capital, leading it to seek a new shareholder, it said.

Executives attempt to stretch Swift's wings

Robert Corzine looks at the constraints on the money transmission system's ambitions

THE only sound associated with the electronic transfer of several trillion dollars a day around the world is the background hum of the high-speed computers at heavily-guarded centres in the Netherlands and the US run by Swift – the Society for Worldwide Interbank Financial Telecommunications. And, like the background sound of a ship's engines at sea, the time to worry is when it stops.

On June 4, a software 'bug' at the Dutch site brought Swift's global money transmission network to a sudden halt, and with it the up to 1.5m daily messages that facilitate virtually every international trade deal and many of the cross-border securities and foreign exchange transactions among the 73 countries covered by the system.

The technical trouble was identified, but the incident focused attention on a publicity-shy and security-sensitive institution, whose headquarters are hidden from public view on the sprawling grounds of Chateau La Hulpe outside Brussels.

It also added another burden to Swift's senior executives. They are trying to transform a bank-owned co-operative – set up some 20 years ago with the sole aim of providing its shareholders with a standardised, reliable and secure way of quickly transferring money – into a broader commercial provider of electronic services to the financial sector.

Such a strategy seems logical given the threats to Swift's basic message traffic. These include:

- Emerging competitors such as national telecommunications carriers seeking higher value products for their existing infrastructure;
- A a growing trend towards large bank mergers, which have the effect of reducing inter-bank communications;
- Increasing political concern in the European Community about the cost to consumers of low-value cross-border payments and the longer-term prospect that a single European currency could lead to the loss of at least 40m messages annually.

The stiff resistance which shareholders can put up when their interests appear threatened was highlighted earlier this year when Swift's members rejected for the second time a recommendation that fund managers be allowed to participate directly in the system.

The task of broadening Swift's participants and interests, however, has been compounded by often fierce shareholder resistance to changes proposed by management.

Mr Bessel Kok, Swift's outgoing chief executive, believes conflicts are "natural and inevitable" because of Swift's co-operative status: "Our 1,885 bank shareholders are also our main customers, and the larger ones are increasingly our main competitors."

The stiff resistance which shareholders can put up when their interests appear threatened was highlighted earlier this year when Swift's members rejected for the second time a recommendation that fund managers be allowed to participate directly in the system.

"The banks should have had the guts to open Swift to investment management institutions and to connect the banks' corporate customers directly to the network", says Mr Kok.

"It was the same syndrome as in the early 1980s when our original recommendation that stockbrokers be allowed in almost cost me my job. When they were finally admitted, and everyone saw there was no danger from the new participants, the shareholders wondered why it had taken so long."

Dealing with the sheer diversity of shareholders adds another dimension to managing a co-operative, says Kok, especially as Swift's voting procedure is only slightly weighted towards larger users.

"We're trying to marry two different worlds within Swift, with banks like Citibank, which is an outright competitor, and, say, small regional savings banks in Italy. In addition the benefits of the co-operative will always be felt more by the smaller members", says Mr Kok.

So having moved financial communications out of the age of "dusty telexes", is Swift's usefulness to the larger banks declining? "No", says Mr Kok emphatically.

"They need us more than ever because we are an exclusive cost reducing organisation for banks and have unrivalled geographic spread."

Mr Kok, who leaves Swift next month to prepare the Belgian PTT for liberalisation, believes banks have failed to understand or exploit Swift's potential.

"They just see us as a cost-effective pigeon rather than a way to explore new forms of co-operation. In the early days, our shareholders even saw us as a cost centre rather than a profit centre," he adds, though Swift's base tariff of BFr16 (26 pence) per message can be as little as 4 per cent of what banks charge their retail customers to send money abroad.

That Swift is now very profitable is evident from its stylish new headquarters, which locals have dubbed "the temple". The word "monopoly" is rarely heard in its spacious corridors, though "dominant market position" seems a somewhat modest description for an agency that handles about 95 per cent of its members' international financial information.

However, Swift's managers are paying a price for having achieved such size. Central banks are looking more closely at the organisation, which would be one of the main international paths along which systemic risk would be transmitted if a worldwide financial meltdown loomed in future.

Mr Kok admits that central banks now view Swift "as something more than a mere switching network. We want the central banks to know and understand us", he says, though it is clear that Swift's management wants to avoid any direct supervision from the Bank for International Settlements, the central bankers' club.

Mr Kok doesn't hide his disappointment at having failed to make Swift a more open organisation, but he has no regrets about trying.

"You have to take risks in a co-operative environment," he says. "You won't survive by saying 'yes, yes, yes' all the time. In private, many of the banks have said 'you should have taken the lead more often'."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Tamura Corp(a)♦	70	3⅞	100	1995	2¼/1½	Daiwa Europe
Alpine Electronics(a)♦	55	3⅞	100	1995	2¼/1½	Nomura Int.
Cheil Foods & Chemicals(d)§	30	(3-3¼)	100	2006	-	Merrill Lynch
AUSTRALIAN DOLLARS						
Guinness Finance Aust.(a)†	75	10	102	1996	2/1¼	Hambros Bank
FRENCH FRANCS						
Compagnie Bancaire(b)†	1.25bn	1993	12	1993	100bp	CCF
Mitsui Mining & Smelting(a)♦	360	1995	100	1995	2¼/1½	Credit Lyonnais
D-MARKS						
Euro.Coal & Steel Comm.(a)†	320	8⅝	101.40	1996	1⅝/1½	Dresdner Bank
SWISS FRANCS						
Tada Corp(a)★★§	50	6¾	100	1996	-	Yamaichi Bk (Switz)
GUILDERS						
NMB Postbank Groep(c)†	400	9⅛	100.80	2002	(c)	NMB Postbank
YEN						
Kanematsu Corp(a)†	20bn	6.45	101.60	2000	2/1⅝	Yamaichi Int.

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Bond pays single coupon of 12% at redemption, so that yield offers a spread of 37bp over 1/93 (BTAN). Fungible with existing FFr1.25bn deal. c) Selling concession fee – ⅝%, no management or underwriting fee. Non-callable. d) Put option after 5 years to yield 5¾%.

Guinness raises A$75m in seventh issue this year

By Simon London

GUINNESS, the UK drinks group, yesterday made its seventh international bond issue of the year, raising A$75m five-year funds in a deal lead managed by Hambros Bank.

The deal brings to £800m equivalent the total raised by the company from bond market investors this year. The earlier issues were denominated in sterling, dollars, French francs and Canadian dollars.

INTERNATIONAL BONDS

Yesterday's deal, in the name of Guinness Finance Australia, will be used to provide funding for the company's Australian drinks and distribution businesses, including Bundaberg Rum, which were acquired a year ago.

The bonds carry a 10 per cent coupon and, according to the lead manager, were priced to yield 86 basis points more than comparable Australian government bonds. However, by taking a different benchmark government bond, some other firms put the yield spread at around 74 basis points.

On either basis the pricing was considered fair value by participants in the deal. Guinness carries a strong Aa2/Aa- credit rating.

Demand for Australian dollar paper remains lacklustre. European retail investors once attracted by 15 per cent coupons in Australian dollars can pick up comparable yields in European currencies but with a lower currency risk. The deal traded at less 1.90 per cent bid, just inside full fees of 2 per cent.

Elsewhere, the European Coal and Steel Community launched possibly its last international bond issue to be exempt from withholding tax in Italy. The Italian parliament is considering proposals to remove the exemption, granted to all supranational agencies of which Italy is a member.

Yesterday's DM320m five-year deal, lead managed by Dresdner Bank, was priced to yield 8 basis points less than German government bonds of the same maturity. Assisted by demand from Italy, the deal traded at less 1.25 per cent bid, comfortably inside fees of 1.625 per cent.

A flurry of equity linked deals included only the second French franc warrant bond issue by a Japanese company. The FFr360m deal by Mitsui Mining and Smelting, lead managed by Crédit Lyonnais, took advantage of a currency swap opportunity to give the issuer a low cost of yen funding.

However, investors showed little enthusiasm for the deal. The bonds traded at around the issue price of par on a day when comparable Eurodollar deals were trading up to 104 bid.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday December 3 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Dec 2 Index No.	Fri Nov 29 Index No.	Thu Nov 28 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (180)	734.48	-0.3	9.43	6.64	13.50	33.34	736.96	745.80	755.41	719.15
2 Building Materials (23)	867.68	-0.1	8.57	7.18	15.39	41.75	868.83	887.81	902.33	987.31
3 Contracting, Construction (30)	919.86	-1.3	8.66	7.96	16.49	51.30	931.98	953.43	999.99	1148.69
4 Electricals (10)	2304.96	-0.6	10.46	6.41	12.17	98.23	2318.52	2360.03	2384.22	1878.62
5 Electronics (25)	1609.51	-0.8	11.52	5.93	11.03	52.97	1622.34	1637.59	1639.45	1550.74
6 Engineering-Aerospace (8)	326.03	+1.0	17.19	7.96	7.02	18.52	322.71	324.25	325.45	388.23
7 Engineering-General (43)	452.10	+0.2	10.77	5.53	11.44	17.78	451.40	453.37	458.41	363.48
8 Metals and Metal Forming (9)	308.86	-0.6	2.13	11.40	–	25.21	310.87	312.59	315.77	407.95
9 Motors (12)	289.73	-0.1	8.93	6.31	14.86	17.56	289.98	290.67	300.36	285.80
10 Other Industrial Materials (20)	1486.36	-0.5	8.09	5.51	14.69	58.79	1493.20	1510.14	1520.07	1239.98
21 CONSUMER GROUP (190)	1536.72	+0.9	7.52	3.66	16.45	38.15	1522.63	1523.04	1522.43	1213.12
22 Brewers and Distillers (23)	1860.50	+0.3	8.36	3.64	14.54	39.79	1854.76	1860.36	1860.12	1527.40
25 Food Manufacturing (19)	1183.04	+0.7	9.72	4.27	12.71	33.08	1175.35	1183.51	1179.20	1012.63
26 Food Retailing (17)	2383.71	....	9.72	3.47	13.36	58.56	2384.33	2400.89	2345.16	2272.78
27 Health and Household (23)	4054.03	+2.6	5.08	2.38	22.62	72.62	3952.83	3911.45	3897.63	2486.59
29 Hotels and Leisure (24)	1253.13	-0.5	8.14	5.65	15.21	45.61	1259.32	1262.41	1287.91	1232.96
30 Media (25)	1423.25	+0.2	7.30	4.99	17.96	47.66	1420.03	1435.11	1440.48	0.00
31 Packaging, Paper & Printing (17)	738.89	+0.4	7.31	4.50	16.59	24.43	735.89	739.91	741.77	517.41
34 Stores (32)	970.21	+0.6	7.74	3.82	16.96	26.74	964.11	962.31	971.53	806.53
35 Textiles (10)	598.90	+1.0	7.72	5.18	16.53	21.18	593.19	601.25	610.48	423.89
40 OTHER GROUPS (111)	1181.24	-0.4	10.12	5.55	12.47	38.39	1185.69	1193.22	1198.04	1001.65
41 Business Services (12)	1381.08	+0.9	7.20	4.73	17.63	46.93	1368.72	1369.77	1373.62	0.00
42 Chemicals (21)	1381.82	+0.1	7.21	5.31	17.21	54.15	1379.77	1386.06	1381.36	1047.90
43 Conglomerates (11)	1326.09	-2.5	10.93	7.90	11.17	38.95	1360.67	1374.35	1371.25	1282.56
44 Transport (14)	2190.27	-0.2	5.82	5.15	22.66	79.12	2194.10	2240.98	2279.63	1860.76
45 Electricity (16)	1152.55	....	15.25	5.69	8.53	27.53	1152.60	1152.41	1158.08	0.00
46 Telephone Networks (4)	1420.75	-0.3	11.05	4.41	11.82	28.34	1425.05	1433.42	1445.07	1168.57
47 Water (10)	2184.95	-1.1	19.26	7.20	5.73	131.43	2209.55	2222.08	2222.02	2136.05
48 Miscellaneous (23)	1750.47	+0.4	5.73	5.66	24.01	73.58	1743.90	1749.80	1752.94	1553.03
49 INDUSTRIAL GROUP (481)	1221.81	+0.3	8.69	4.78	14.42	37.70	1218.28	1223.48	1227.62	1028.26
51 Oil & Gas (19)	2215.41	-0.8	11.66	6.33	11.34	104.27	2234.35	2224.23	2244.52	2337.01
59 500 SHARE INDEX (500)	1308.42	+0.2	9.03	4.96	13.99	42.97	1306.43	1310.63	1315.94	1135.57
61 FINANCIAL GROUP (91)	714.13	-0.3	–	6.52	–	33.01	716.48	719.50	726.33	720.08
62 Banks (9)	822.38	-0.9	4.85	6.46	40.44	37.46	830.09	836.08	839.16	762.34
65 Insurance (Life) (7)	1415.98	-0.6	–	5.98	–	63.68	1425.21	1435.04	1451.66	1304.00
66 Insurance (Composite) (7)	514.30	+1.9	–	8.48	–	32.94	504.77	502.77	514.08	629.67
67 Insurance (Brokers) (10)	1001.96	+0.9	8.16	6.68	16.14	49.14	993.29	996.02	987.51	1008.23
68 Merchant Banks (7)	466.86	-0.3	–	4.61	–	14.84	468.10	468.97	469.12	360.00
69 Property (35)	837.56	-1.0	6.02	5.61	24.19	28.81	845.96	848.52	866.49	974.81
70 Other Financial (16)	236.86	+0.1	11.18	7.38	11.25	11.85	236.56	237.07	238.26	248.69
71 Investment Trusts (70)	1139.13	+1.2	–	3.79	–	30.42	1125.89	1139.93	1150.32	1004.82
99 ALL-SHARE INDEX (661)	1166.18	+0.1	–	5.12	–	40.06	1164.78	1168.95	1174.63	1032.81

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 2	Nov 29	Nov 28	Nov 27	Nov 26	Year ago
FT-SE 100 SHARE INDEX‡	2420.2	+5.3	2436.9	2396.9	2414.9	2420.2	2428.6	2447.5	2471.5	2146.3

FIXED INTEREST

PRICE INDICES	Tue Dec 3	Day's change %	Mon Dec 2	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	121.97	+0.03	121.94	2.37	10.75
2 5-15 years (27)	133.95	+0.03	133.91	2.94	11.84
3 Over 15 years (8)	142.08	+0.03	142.04	2.82	11.50
4 Irredeemables (6)	155.30	+0.03	155.26	1.11	13.68
5 All stocks (69)	132.47	+0.03	132.44	2.75	11.60
Index-Linked					
6 Up to 5 years (2)	167.04	-0.07	167.17	0.64	3.16
7 Over 5 years (9)	148.29	....	148.30	1.18	3.83
8 All stocks (11)	149.75	-0.02	149.78	1.10	3.81
9 Debs & Loans (62)	111.48	-0.03	111.51	1.58	10.59

AVERAGE GROSS REDEMPTION YIELDS		Tue Dec 3	Mon Dec 2	Year ago (approx.)
British Government				
1 Low	5 years	8.89	8.89	9.54
2 Coupons	15 years	9.62	9.62	10.22
3 (0%-7¾%)	20 years	9.62	9.62	10.26
4 Medium	5 years	9.97	9.97	10.88
5 Coupons	15 years	9.78	9.78	10.61
6 (8%-10¾%)	20 years	9.72	9.72	10.53
7 High	5 years	10.19	10.19	11.01
8 Coupons	15 years	9.87	9.88	10.80
9 (11%-)	20 years	9.78	9.78	10.73
10 Irredeemables	†	9.80	9.80	10.49
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.93	3.90	4.00
12 Inflation rate 5%	Over 5 yrs.	4.33	4.33	4.18
13 Inflation rate 10%	Up to 5 yrs.	3.30	3.27	2.75
14 Inflation rate 10%	Over 5 yrs.	4.15	4.15	4.00
15 Debs &	5 years	11.51	11.51	12.63
16 Loans	15 years	11.33	11.33	12.41
17	25 years	11.15	11.15	12.20

‡Opening Index 2436.9; 9 am 2432.8; 10 am 2417.9; 11 am 2402.9; Noon 2408.5; 1 pm 2405.9; 2 pm 2407.8; 2.30 pm 2409.9; 3 pm 2410.2; 4.10 pm 2418.2; (a) 8.30am (b) 10.35am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. CONSTITUENT CHANGES: ADDITION: Brixton Estates 10.625% Debenture 2012.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	38	28	16
Other Fixed Interest	9	1	9
Commercial, Industrial	218	310	968
Financial & Property	155	108	513
Oil & Gas	16	23	52
Plantations	3	1	6
Mines	27	39	86
Others	71	30	44
Totals	537	540	1,694

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. ¢ Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. H Reintroduction. ♦ Unlisted securities market. ¢ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Unregulated collective investment scheme. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Dec. 2
- Last Dealings Dec. 14
- Last Declarations March 5
- For settlement March 16

For rate indications see end of London Share Service

Calls in Asprey, BTR warrants 93/94, Bula Res., Multitone Elects., Natl. Home Loans, Premier Cons. and Trafalgar House. Put in Avon Rubber. Put and call in Tarmac.

LONDON TRADED OPTIONS

Euro FT-SE Calls 178 Puts 556
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	42	ICI	95	Reed Intl	35	MEPC	42
Allied-Lyons	50	Comm Union	40	Ladbroke	21	Sears	6½	Mountleigh	4
Amstrad	6	Courtaulds	38	Legal & Gen	33	SmKl Bchm A	53	■ OILS	
Astec (BSR)	5	Eurotunnel	50	Lex Service	16	TI	39	Aviva Pet	3
BAT Inds	59	FKI	5	Lloyds Bank	30	TSB	11	BP	26
BOC	48	FNFC	10	Lonhro	20	Tesco	21	Burmah Castrol	47
BTR	33	Forte	21	Lucas Inds	12	Thorn EMI	65	Conroy Pet	6
Barclays	34	GKN	28	Marks Spencer	21	T & N	14	Gaelic Res	1
Blue Circle	20	Gen Accident	43	Midland Bank	20	Unilever	60	Premier Cons	4
Boots	33	GEC	16	NatWest Bank	26	Vickers	16	Shell	40
Bowater	65	Glaxo	110	P & O Dfd	41	Wellcome	60	Tuskar Res	1
Brit Aerospace	35	Grand Met	67	Racal Elect	6	■ PROPERTY		Ultramar	20
British Steel	10	GRE	14	RHM	23	Brit Land	27	■ MINES	
Brit Telecom	33	Hanson	17	Rank Org	55	Control Sec.	2	RTZ	46
Cadburys	35	Hawker Sidd	56	Ratners	12	Land Sec.	41		

DECLINE OF THE MAXWELL EMPIRE

DTI was looking into MCC share deal in October

By Bronwen Maddox and Peter Martin

THE government was still considering complaints about dealings between Mr Robert Maxwell and Goldman Sachs one month after appointing the investment bank to head the US sale of shares in British Telecommunications.

On October 17 1991, Mr Peter Lilley, trade secretary, wrote a letter to a private investor who had complained about Robert Maxwell's sale of a "put" option on the shares of Maxwell Communication Corporation to Goldman Sachs in August 1990.

The option gave Goldman Sachs the right to sell MCC shares to Mr Maxwell at a future date.

Mr Lilley's letter said: "The matters you raised remain under consideration by my officials."

The investment house was appointed to the BT sale in September 1991, replacing Salomon Brothers which had been dropped because of its manipulation of US Treasury bond auctions.

Before appointing Goldman Sachs, the Treasury demanded written assurances that it had never taken part in any action which could affect its ability to sell the BT shares.

The investor, who does not wish to be named, wrote to the DTI after complaining to the London Stock Exchange and the Securities and Futures Authority.

On April 26 1991, he was told by Mr GV Hucker, head of the SFA's Complaints Bureau, that "several departments of the Stock Exchange have looked, or are still looking into, your complaint."

In a letter to Mr Lilley dated September 16, the investor asked if the DTI had passed information to the Treasury.

Mr Lilley's letter did not answer the question directly, but added: "I can tell you that the Treasury did undertake a thorough examination of all the firms being considered for the role of lead manager of the US part of the BT share sale. In the light of this examination and of wide-ranging assurances given by Goldman Sachs, the Treasury has no reason to doubt the appropriateness of the appointment."

Both the DTI and the Stock Exchange refused to comment. Last night Goldman said:" We don't know that the matter is under consideration, but we do know there is no investigation." Goldman said that it had never been asked any questions by the DTI about the put option.

Goldman Sachs was an active market maker in MCC shares. The terms of the "put" option would have given the purchaser an incentive to buy MCC shares.

Goldman Sachs was, according to market traders, a consistent bidder for MCC shares at times when they were under pressure during 1990 and early 1991.

Goldman has said it already held a large stake in MCC when it bought the Maxwell put option in August 1990, and that buying options was a normal way of hedging a long position in a volatile stock.

Creditors shocked to hear restated valuation of private companies' assets and liabilities leaving an enormous black hole

Banks will stay their hand until Friday

By Robert Peston and Raymond Snoddy

MR KEVIN MAXWELL faced the barrage of cameras alone yesterday to announce his resignation as chairman of Maxwell Communication Corporation and to say that once again the banks had stayed their hand – at least until Friday.

Mr Maxwell, who has been chairman of MCC for virtually a month to the day since his father Robert was pulled from the sea off the Canary Islands, had come to the press conference from the latest meeting with the banks.

He had to tell them that the debts on the family's private interests, the Robert Maxwell Group, were significantly larger than expected. It was another small retreat for the man who has spent the past month working 18 hours a day.

Mr Kevin Maxwell said that he and his brother Ian had resigned from the MCC board because "it is evident that increasing conflicts of interest have arisen" and resignation was in the interests of both shareholders and employees.

"The shareholders and the board must not think that any inquiries into the company affairs will be impeded in any way by the obvious loyalty I feel to my late father," he said.

The potential conflicts also involved the interconnections of indebtedness between the private and public companies and any write-offs or provisions in the public companies if the Robert Maxwell Group were to go into administration or receivership.

Mr Kevin Maxwell exuded an air of fatalism yesterday. There were no "sacred cows" however much the family admired The European or the traditions of the Daily Mirror.

"When you are in a position where you require a standstill of your banks you cannot impose your wishes. What you can do responsibly is put forward commercial proposals to the banks which they can consider and elect whether or not to take your advice," said Mr Maxwell, clearly relieved that there was at least a breathing space until Friday.

The bankers who met Mr Kevin Maxwell earlier in the morning had been shocked by what they had heard.

"When we were given the restated valuation of the private companies' assets and liabilities, there was an audible gasp", said a banker from one of the 30 banks with £900m of loans to the private companies.

"Just over a week ago, we were told that the debt was about £900m and the assets were worth £1.4bn, on the basis of a preliminary examination by the accountants, Coopers Deloitte, and the US bank, Bankers Trust", he added. "Now we are confronted by an enormous black hole. As you can imagine, there were a lot of angry bankers in that room".

The latest turn in the crisis began late on Friday. NM Rothschild, the merchant bank hired last week to advise the private companies, had requested detailed information from the companies on their debts. What the merchant bank was told, to its horror, was that the calculation of bank debt gave an incomplete picture of the private companies' liabilities.

The private companies owed about £300m to the two Maxwell public companies, MCC and MGN. The bulk of this – about £250m – had been borrowed, directly and indirectly, from MCC.

In addition, the private companies had borrowed between £30m and £40m worth of MCC and MGN shares from the pension funds of those two companies – though those figures are subject to revision, according to a banker. Those shares had then been used by the private companies to provide collateral on the private companies' bank loans.

There was in effect a "double hit" for the private companies, in the words of a banker. They owed money to the pension funds and the collateral provided to the banks was in question.

National Westminster Bank, the clearing bank co-ordinating the rescue of the private companies, and Credit Lyonnais, the French bank which is lead banker to MCC, were informed about the newly uncovered liabilities.

Rothschild also informed Mr Pen Kent, a director of the Bank of England, that the chances of preventing Headington Investments and other Maxwell companies from going into administration had receded.

However, the Bank of England said that it had not had to intervene in negotiations between the Maxwell private companies and the banks.

When the banks to the private companies were told about these liabilities early yesterday, they were furious. Letters had been sent to them from the trustees of the public companies' pension funds. These letters disputed the banks' rights to dispose of shares the banks thought they controlled as collateral.

In addition, the banks did not understand why they had not been informed earlier of the loans between the public and private companies. When Mr Robert Maxwell died a month ago, his sons, Mr Kevin and Mr Ian Maxwell, had said they would give a full and frank account of their companies' finances.

On the basis of this commitment the banks continued to support the private companies. "I do not understand why we were not told about the inter-company loans earlier", said a banker.

But it was not only the ability of the private companies to avoid receivership or administration that had been called into question. MCC's £250m loan to the private companies put its viability in doubt.

Credit Lyonnais is co-arranger of two big MCC loans: a $750m (£424m) revolving credit, repayable next year, and a $1.25bn term loan, due for repayment in 1994. So it called an emergency meeting of its bank syndicate on Monday, which was followed by another meeting yesterday.

Just under 40 banks were involved in the syndication of those loans. They are keenly interested in whether there is any possibility of the Maxwell private companies repaying the £250m owed to MCC. If that £250m were written off, then the chances of MCC avoiding administration would also be reduced.

At yesterday's press conference Mr Kevin Maxwell was asked if it was true that he had been kept totally in the dark by his father.

That would not be right because they had been board colleagues for many years.

"Clearly we didn't know everything and clearly he had a style of business where probably you had a need to know rather than a sharing of information all the time," said Mr Kevin Maxwell, who yesterday repeated his promise that when the full facts are known they will be publicly revealed.


Ashley Ashwood

Kevin Maxwell at a press conference yesterday, where he announced his resignation as chairman of MCC

MGN fund's self-investment pattern raises questions

By Norma Cohen, Investments Correspondent

IF MIRROR Group Newspapers had simply invested some of its pensioners' money in other companies controlled by Mr Robert Maxwell, its late proprietor, it would have broken no law, pensions experts said.

Of Mirror Group's 20 largest investments, totalling £161m as of April 5 1990, roughly £43m – about 10 per cent of the total fund – were in companies in which Mr Maxwell or his family had an interest. Any decline in the value of these investments – which include a stake in MCC – has not yet been reflected. The total assets of the fund were valued at £431m in April 1990 – the last period for which accounts have been prepared.

Ironically, limits on self-investment, agreed in the Social Security Act of 1988, are to take effect for the first time only next year. The National Association of Pension Funds, the trade group for the industry, has urged trustees to avoid self-investment completely, saying it gives rise to charges of conflict of interest.

However, the pattern of investments, as revealed by the pension fund's latest accounts, also raises several questions about whether its trustees – and their investment advisers – exercised their legal obligation to be "prudent" with employees funds.

While MGN's pension fund used five advisers, it was Bishopsgate Investment Management, a company controlled by Mr Maxwell, which managed over half the pension fund monies, according to the fund's 1990 annual report. Its property investment adviser is Pergamon Holdings Property Department, another Maxwell-related company.

First, the Mirror Group's 20 largest UK equity investments are not in blue chip UK equities, but rather in a series of smaller companies and property. "I would say that would be highly unusual," said Mr John Rogers, investments director at the National Association of Pension Funds. "Personally, I've never heard of it."

Also, none of the fund's assets are invested in UK government bonds – the safest of all sterling securities – and a mere £2m are in index-linked stock. Also, roughly 40 per cent of the fund's total investments are in overseas investments – unusual for a pension fund whose liabilities are exclusively in sterling.

Pension funds are expected to match assets with liabilities and to hedge significant non-sterling exposure to avoid currency losses. On average, UK pension funds have roughly 60 per cent of funds in quoted UK equities and no more than 20 per cent invested abroad.

However unusual the spread of investments may be, it is not clear that any law is violated by them, according to Mr Robin Ellison, partner at Ellison Westhorp, the pension lawyers.

There are currently very few rules governing pension fund investments. However, the trustees are required to abide by general UK Trust law which requires them to behave as "ordinary men of business" investing money prudently on behalf of others. That means that funds must be spread properly across a range of investments and in reasonably safe holdings.

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Perhaps more unusual, pensions experts said, is the disclosure that MGN's pension fund has loaned stock to the Maxwell family's private companies and received no collateral for them – contravening basic stock lending practices.

There is nothing wrong with stock lending itself which is a time-honored practice in the City. Beginning in early 1991, UK pension funds were exempted from certain tax liabilities on stock lending, provided the lending occurred in a prescribed manner.

According to the Stock Exchange, which sets rules on stock lending, all transactions must be handled through money brokers who keep secret the identities of counterparties and act as an intermediary for the receipt of collateral, typically in the form of high-quality short term securities. If the borrower fails to return the stocks, the lender may sell the collateral to recoup any losses.

Final autopsy report due today

By Peter Bruce in Madrid

A FINAL autopsy report on the death of Mr Robert Maxwell is expected to be passed to the investigating judge in Tenerife today following examination of tissue samples from his body by a toxicology laboratory in Madrid.

The report was sent to pathologists who first examined Mr Maxwell's corpse in Gran Canaria after his death at sea off the Canary Islands on November 5.

It was unclear yesterday whether the contents of the final autopsy would be made public in an effort to clear the flood of suspicion that surrounded his death. The Tenerife authorities are under no obligation to make the findings public.

The Gran Canaria pathologists, nevertheless, have been suggesting privately that their final report vindicates their original findings that Mr Maxwell suffered a heart attack on board his yacht before falling overboard and that he was already suffering from chronic heart disease.

Attention in US focuses on future of Macmillan and OAG

By Alan Friedman in New York

WITH THE Maxwell family under increasing pressure to deal with the group's debt woes, attention in the US focused on the future of Macmillan Publishing and the Official Airlines Guide (OAG), the group's two main North American holdings.

Mr David Shaffer, the president of Macmillan who was yesterday named chief executive of MCC, claimed he was not aware of any new offers for the US publisher. He said that since the conclusion of a year-long asset disposal programme "there are no more assets for sale."

Wall Street analysts and rivals in the publishing industry were, however, undaunted by Mr Shaffer's remarks and began speculating about a possible sale of more US holdings.

The chief executive of one rival US publisher, who asked not to be named, said he was aware that Macmillan is not formally on the auction block, but he indicated an interest in acquiring "some pieces of Macmillan".

The perception in US publishing circles is that Macmillan, which had about $900m of revenues in the financial year to March 31, is a profitable company whose cash flow is quickly swept up by its debt-laden parent. "It is like Bloomingdales, which made money, but was forced into bankruptcy because of the debt of its owner," said a senior rival publishing executive.

Macmillan's financial performance is hard to measure because it is included in overall UK group figures, but a clue can be found in MCC's statement last March that some 70 per cent of its assets – which are in North America – generated roughly 90 per cent of group operating profits. That would suggest that Macmillan and OAG together accounted for more than $250m of operating income.

Macmillan, which was acquired by Mr Maxwell in 1988 for $2.6bn, was ranked last year as the 11th largest US publisher, just above Mr Rupert Murdoch's Harper Collins. The company is thought by industry insiders to be doing well and has benefited in recent months from best sellers such as the original Gone With the Wind, which has enjoyed renewed sales since the publication by Warner Books of Scarlet, the sequel.

Macmillan's most recent string of asset disposals, which began long before Mr Maxwell's death, has included the sale for $56.5m of Macmillan's professional and business reference division and the sale for $12.5m of the medical books operations, both in September. October saw the sale for $146m of Macmillan's directory division and last month brought the announcement of a planned $265m sale of a 55.6 per cent stake in Berlitz, the language schools unit. The latest disposal was a $157.5m sale in mid-November of Macmillan's computer publishing division: this price compared to a book value of $189.4m.

With revenues for these disposals stripped out of Macmillan, the publisher's expected total turnover is estimated at about $500m.

Mr Shaffer said OAG, acquired in 1988 for $750m, is also not for sale.

In New York, meanwhile, the loss-making Daily News sought to distinguish itself from Macmillan and OAG because it is privately owned by the Maxwell family. Mr Maxwell received $60m from the Tribune Company of Chicago last March when he took over the New York tabloid, but much of this is expected to go to cover 1991 losses.

Mr John Campi, a vice president of the newspaper, said he was confident that Mr Kevin Maxwell, chairman of the Daily News, would remain committed to the newspaper. Mr Maxwell made a one-day trip to New York shortly after his father's death.

Worldwide spread of interests

THE MAXWELL family's private interests run from newspapers in Kenya to helicopters in the North Sea and football teams in the UK.

By far the largest business is AGB International, the market research business Mr Robert Maxwell bought for £134m in 1988.

Hit by heavy restructuring costs, AGB reported a loss in the second half of last year after earning £24m of operating profits in the previous 18 months.

Most famous of the Maxwells foreign newspapers is the Daily News in New York, acquired in March.

In the City, the Maxwells control London & Bishopsgate Group which runs a collection of investment companies in the UK and abroad and offers financial services.

Bishopsgate Investment management is manager of most of the pension funds of Maxwell companies which are now the subject of intense scrutiny by external auditors and regulators.

Bankers to the Maxwell private and public companies confirmed yesterday that some £30m to £40m of Mirror Group Newspapers and Maxwell Communication Corporation shares held by some of the pension funds had been borrowed by private Maxwell companies.

Contrasting characters to take over

By Guy de Jonquières and Nikki Tait


Peter Laister, appointed the new chairman

GREAT CONTRAST marks the pair of men chosen yesterday to take over the reins of Maxwell Communication Corporation, the deeply troubled UK-US publishing group, from Mr Kevin Maxwell.

Mr Peter Laister, the new British chairman, is known for his failure to couple his lively imagination for strategic initiatives with sound financial discipline.

Mr David Shaffer, the new American chief executive, has wide management experience in Macmillan and the Official Airlines Guide, the two main US companies which form the heart of MCC.

Mr Laister's appointment marks an ironic reversal of fortune for a man who last hit the headlines six years ago when a financial crisis cost him the chairmanship of Thorn EMI. In his two years at the helm of Thorn, Mr Laister gained a reputation as an enthusiastic visionary, with vaulting ambitions to transform the music, defence and consumer electronics group into a high-technology powerhouse.

His faith in the advanced technologies as the key to Britain's industrial future prompted Thorn to relieve a grateful government of its stake in Inmos, the struggling microchip company, in 1984.

Soon afterwards, Thorn flirted with the idea of a merger with the newly-privatised British Aerospace. But its overtures were firmly rebuffed by BAe, which made it clear that it saw little industrial logic in the scheme. That episode severely strained Thorn's credibility with the City, which had never had much sympathy with Mr Laister's penchant for grand strategies. His nemesis came in July 1985, when a sudden collapse in profits prompted a boardroom coup.

After leaving Thorn with a £440,000 golden handshake – then one of the largest ever awarded – a new management imposed swingeing cost cuts and sold off most of its electronics manufacturing businesses.

In the past five years, Mr Laister has forged increasingly close links with the Maxwell business empire. He has served as a director of several media, cable and satellite companies in which Mr Maxwell had stakes, and last month was named deputy chairman of MCC.

He played a central role in the 1987 purchase by MCC of Nimbus records, Britain's largest compact disc maker, and the formation of a joint venture between Nimbus and Philips, the Dutch electronics company, in advanced information systems.

Mr Laister has also acted as a company doctor to several troubled companies, including Oceonics, an offshore services company, and Finance, Land and General Holdings, a hotel and property group.

When Mr Shaffer's company was bought by MCC in 1988, he probably never imagined becoming chief executive of the UK-based publishing empire within three years. Still less that he would catapulted into this role by a corporate banking crisis which Mr Maxwell's death had triggered.

Yet if there was any message which MCC's newly-appointed chief executive was trying to convey yesterday, it was "business as usual". No, he said emphatically, there were no assets within the public company which were for sale.

"The sale programme started early this year and was completed with the disposal of Biarritz."

Had not there even been inquiries? "Not that I'm aware of," he responded.

Declining to discuss details of MCC's debts, Mr Shaffer did volunteer an equally sanguine view about the effect which the recent sequence of events had had on underlying business within the publishing group.

"I think," he remarked with almost British sang-froid, "that there's been very little impact on operations".

Mr Shaffer, 48, is a relative newcomer to the MCC empire. He first encountered the business when Dun & Bradstreet decided to sell its Official Airlines Guide subsidiary to MCC for $750m in 1988. Shaffer was president of OAG, the main business of which involves the collation and publication of worldwide airline scheduling and fare data.

At the time of the sale, OAG had revenues of about $180m (£102m) and was making profits of about $65m. It also took in Thomas Cook Travel, which operated some 60 offices in the US and where Mr Shaffer was vice-president.

On joining MCC, his responsibilities widened. He started to look after some of the businesses which MCC acquired as part of the Macmillan publishing empire, as well as some of MCC's businesses in the UK. As a result, he said, he has been jetting between the two countries for some time, although his home remains in New Canaan, Connecticut.


David Shaffer, the new chief executive

UK COMPANY NEWS

UniChem in £35m cash call and £27m pharmacy buy

By Peggy Hollinger

UNICHEM, the UK *pharmaceuticals wholesaler* whose bid for Macarthy has been referred to the *Monopolies* and Mergers Commission, is stepping up its move into retailing through a £35.1m rights issue and the separate £27m acquisition of E Moss, one of Britain's leading pharmacists.

The-1-for-4 rights issue at 148p per share was accompanied by a pre-tax profits forecast of £21m for 1991, compared with £16.4m last time. News of the cash call depressed the shares by 7p to 177p.

Mr Peter Dodd, chief executive said the group would pay £27m in cash and shares for Moss, which has 92 outlets mainly in the south east of England. After the deal, UniChem will own 131 stores of which 130 were purchased in the last 12 months.

UniChem intends to build up a franchise network using some Moss stores and its own existing outlets.

Moss is expected to bring £25m in sales to UniChem's wholesaling business and £15m to retailing turnover. UniChem enjoys about 29 per cent of the UK wholesale market.

UniChem will issue 9.8m shares worth £17.2m to Moss vendors at a *price of 176.16p*, plus £8m cash. A final payment not expected to exceed £1.4m will be made after a review of *Moss's accounts. About* 67.4 per cent of Moss shareholders have agreed to the offer.

Moss's vendors will hold about 8 per cent of the enlarged group after the rights, for which they will not be eligible. UniChem is some 60 per cent owned by 4,400 pharmacists which are also the wholesaler's customers.

Proceeds from the rights will be used to fund further retail acquisitions in the UK and wholesaling businesses in *continental Europe. Mr Dodd said* the group was in talks on a possible purchase *in western* Europe, which could amount to *between £8m* and £10m.

UniChem's acquisition follows its thwarted attempt to take over Macarthy, the drugs retailer and manufacturer. Mr Dodd said the group would re-examine its position on the bid when the commission announced its decision. "It depends *what* I would *have to* bid," he said. "I think there *will be two to three* players then."

Mr Dodd said he did not expect the Moss purchase to be referred as the retailer had distributed its own pharmaceuticals. *"Having said that*, I don't think anybody would be prepared to put money down on the OFT."

Ashley Ashwood

Peter Dodd: talks on a possible buy in western Europe

Leeds overcomes sales downturn to show profit rise

By Daniel Green

INCREASING DEMAND for smaller contracts meant higher margins on lower sales at Leeds Group, the textiles dyer and printer.

However, the rise in full-year profits was held back by a sharp increase in provisions at West Yorkshire Insurance, in which the group has a 35 per *cent stake.*

Turnover slipped to £31.4m (£33m), while pre-tax profits rose to £4.11m (£4.01m), *including a £381,000* loss from the insurance company stake.

The shift to short-run contracts was a result of both the recession, as clothes manufacturers became reluctant to commit themselves to long print runs of fabrics, and a more *fickle* public taste for fashion.

Profits were also supported by the company's diversification away from apparel dying and printing to furniture fabrics and military camouflage. Leeds has won contracts from five defence ministries outside the UK.

It has meant that Leeds' larger machines have been operating at below capacity.

"We have seen a very substantial downturn in the volume business", said Mr Robert Wade, the chairman and managing director.

The short run, fast delivery, contracts which took precedence attracted higher prices, however.

Mr Wade said that the change was a *structural* one for the industry. Retailers were *increasingly* likely *to demand* rapid response and keep stocks low.

The results included five months from Strines Textiles, bought for £5.1m in March.

The acquisition was made partly with new shares. With the costs of acquisition this meant a fall in earnings per share to 25p (25.2p), despite a lower tax charge.

A proposed final dividend of 6.75p lifts the total for the year to 9.75p (9.25p).

● COMMENT

It is hard to find a textiles company that has weathered recession as well as Leeds. Granted, large chunks of the business have suffered, but to get premium prices while high street clothing sales have slumped is no mean feat.

Capital investment remains high, as it must do to cope with rapidly changing patterns of demand. More acquisitions are in the pipeline and the City is disposed to look favourably on them when they come.

Profits for the current year could be as high as £4.8m and the unexceptional *p/e* of about 11 means that there should be steady demand for the shares.

NEWS DIGEST

Anglo-Irish Bank calls for I£26m

THE ANGLO-IRISH Bank Corporation is to raise I£26.1m (£24.3m) *through* a *1-for-1* rights issue.

The issue, *of* 60.2m shares at 46p apiece, is underwritten by AIB Capital Markets; the bank has been advised by Goodbody *Corporate* Finance.

Anglo-Irish, formed 27 years ago *out of the City of Dublin* Bank, is the third largest bank in the Republic with *assets* of I£765m. It is a niche-player specialising in commercial mortgages to high net worth individuals.

The rights issue means that its total capital base rises from I£48m to I£75m.

This is the second time in less than three years that Anglo-Irish has gone to its shareholders for cash. In 1989 *it raised I£20m.*

The bank said yesterday that it had no specific purpose in making the rights issue *other than generating* increased earnings per share. "We want *to* properly position ourselves to take advantage of *opportunities on* the market."

Its largest shareholder is Ensign Investment Trust which *controls* a 12.6 *per cent* stake.

Evans of Leeds edges higher

Evans of Leeds, the property *investment and development* group, continued its recent *growth with* a *modest advance*, from £3.3m to £3.45m, in pre-*tax profits for the six months* to end-September.

The *rent* roll improved to £18m against £17m at the beginning *of the year and* £15.7m a year earlier.

The company said the increase was achieved in spite *of continuing adverse* conditions affecting the property *investment industry.*

Total revenue was 13 per cent higher at £9.33m (£8.23m). Earnings per share improved *to 3.95p (3.35p) and the interim* dividend is increased from 1.18p to 1.3p.

Rental income had shown a *worthwhile increase, directors* said, and the policy of developing only where pre-lets had been obtained was con*tinuing.*

Mid Southern Water at £3.9m

Mid Southern Water returned profits of £3.9m pre-tax for the half *year* to September 30 from turnover of £15.3m.

For the 15 months to March 31 1991 the company achieved *taxable profits of* £5.78m *from* turnover of £30.9m. Directors said, *however*, that the comparable figures were not meaningful because of the company's conversion to plc status in *August 1991.*

Earnings for the half year *emerged at 105.3p. An interim* dividend of 55.5p per ordinary *and non-voting ordinary* share is declared. In addition, a special 28.4p per ordinary and non-voting share is also being paid, *representing an appropriate* return to shareholders for *the period since the implementation* of the new regulatory *arrangements introduced by* the Water Act 1989.

Gestetner expands via Canadian buy

Gestetner Holdings, the international *copier group*, is paying £8.6m for Savin Canada, which sells and services own-label copiers and facsimile machine, manufactured by Ricoh of Japan, throughout Canada.

In 1990, Savin Canada achieved taxable profits of £1.7m on sales of £36.7m. Net *assets*, excluding goodwill, amounted to £7.5m. The acquisition, which is subject to Canadian government *approval*, will *give* Gestetner some 8 per cent of Canadian copier placements.

Net assets rise at Northern Investors

Northern Investors Company, the Newcastle-based venture capital group, reported *net* asset value of 276.8p at September 30, compared with 255.6p at March 31 and 243p a year earlier.

During the six-month period the investment in Peter Vassallo, a Newcastle fish wholesaler, was sold for £2.1m making a total return of £2.5m, *compared with an original cost* of £300,000.

The *pre-tax* surplus was £282,000 (£179,000) with earn*ings per share coming out at* 5.4p (3.6p). The interim *dividend is raised to 3.5p (3p).*

Syltone static at £1.17m

Profits of Syltone, the transport engineering services company, were *virtually static at* £1.17m pre-tax for the half year *ended September 30.*

The figure, up from £1.11m *previously, was struck after* taking account of a £70,000 *decline in interest charges to* £117,000. Turnover amounted *to £16.9m (£16.3m).*

Fully diluted earnings rose *to 8.4p (7.8p) and the interim* dividend is lifted to 3.15p (3p).

Mr Tony Clegg, chairman, said: "Although the worst of *the recession may well be over* both here and in the US, the remainder of the year will require careful monitoring to maintain existing levels of profitability."

Net assets ahead at Dundee & London

The net asset value of Dundee & London Investment Trust rose by some 11 per cent, from 250p to 277p per share, over the 12 months to October 31.

Attributable revenue, however, slipped to £1.9m (£2.03m) leaving *earnings* at 11.32p (12.08p) per share.

Nevertheless, the final dividend is maintained at 8.2p for a same-again total of 12p.

Strong order book at Creighton's

Profits at Creighton's Naturally, the USM-traded toiletries and fragrances *manufacturer*, continued to recover in the six months to end-September.

Interim profits advanced to *£565,000 which compared with* £502,000 in last year's first half *and £720,000 for the full 12* months.

Mr Richard Collard, chairman, said the increase *reflected careful monitoring of* operating costs. The period saw a *further reduction* in stock levels and an improved *cash position. The order book* to Christmas was "very *strong" he stated.*

Turnover declined to £5.23m *(£5.57m). The interim dividend* is raised from 1.8p to 2p, pay*able from earnings* of 8.4p (7.2p) per share.

Dutch expansion at Wolstenholme Rink

Wolstenholme Rink, the Lancashire-based metal powders manufacturer, is to acquire *Netherlands-based* Douw Beheer, a speciality chemicals concern which trades as PCO.

Initial consideration is Fl 18.9m (£5.81m); a maximum deferred sum of Fl 4.4m is also payable dependent on profit levels. Wolstenholme will issue 635,280 new shares to the vendor at 274p apiece with the balance in cash.

News of Wolstenholme's purchase was accompanied by a forecast that its final dividend would be maintained at 10p, making a same-again 16.3p for the year.

Marginal fall at Jarvis Porter to £1m

Jarvis Porter, the specialist label printer, reported pre-tax profits down by 9 per cent to £1m in the six months to August 31.

The figure compared with £1.1m last time and came from turnover down from £14.2m to £13.3m. The interim dividend is maintained at 1.4p and is being paid from earnings per share down from 4.2p to 3.1p.

Mr Paul Jarvis, chairman, said the figures reflected the *difficult trading conditions* resulting from a destocking by *the group's customers*, particularly in the spirits industry *which suffered* in the early part of the year from the *effects of the Gulf war.*

The acquisition in June of Holmes McDougall had given the group a broader customer base, *Mr Jarvis added.*

The operations of the other *Scottish plant, which was* closed in July, had been transferred to *Holmes McDougall.*

The long-term benefits *expected to arise from combining* the two production facilities were *being assessed*, the chairman said, and if the oper*ational and financial* advantages were confirmed, an *exceptional provision not* exceeding £500,000 would be *created* in the full year accounts.

Hunter Saphir warns on annual profits

By Peggy Hollinger

Hunter Saphir, the herb and spice, produce and food manufacturing group, yesterday warned that full-year results would be distorted by the ter*mination of insurance* payments on a spice factory which was destroyed by fire in 1989.

The warning came as the group announced a sharp fall *in pre-tax profits from £3.51m* to £1.82m for the six months to *September 7.*

Turnover rose £5.3m to £106.4m.

Last year's results had been inflated, however, by an exceptional gain of £2.1m in insurance *payments.*

Like-for-like pre-tax profits rose by £400,000.

Mr Nicholas Saphir, chairman, said the British Spice & Pepper factory had contributed profits of £1m before the fire, which have been recovered *through insurance* payments since then.

Despite sharp gains in turnover as the factory has come back *on stream*, full recovery would take time, he said.

BS&P was expected to incur a loss in the full-year.

Mr Saphir said the group had made good gains in the fresh produce and other herbs and spices businesses.

Fully-diluted earnings per share plunged 70 per cent to 2.56p.

The interim dividend is cut from 1.35p to 1p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Allied Colloids ....int	0.88	Feb 21	0.8	-	3.5
Archimedes Inv ....fin	14.5	Feb 18	13.25	23.5	20.5
Brent Walker ....int	nil	-	5	-	5
Creighton's § ....int	2	Feb 11	1.8	-	6.2
Dundee & London ....fin	8.2	Jan 24	8.2	12	12
Eldridge Pope § ....fin	1.76	Feb 7	2.35	2.64	4.1
Evans of Leeds ....int	*1.3*	*Jan 3*	*1.18*	-	3.74
Greene King ....int	3.5	Feb 7	3.3	-	10.8
Hunter Saphir ....int	1	Feb 13	1.35	-	5.05
Leeds ....fin	6.75	Jan 22	6.25	9.75	9.25
Mid Sthrn Water ......int	83.9☆	Dec 20	-	-	-
Northern Invests.......int	3.5	Jan 17	3	-	7.5
Seeboard ....int	5	Mar 23	-	-	10.36
Syltone ....int	3.15	-	3	-	9
Trafalgar House ....fin	9.6†	Feb 14	9.6	18.4	18.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Includes special 28.4p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually *held for the purpose of considering dividends*. Official indications are not available as to whether the *dividends* are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- BTP, Caps, Drummond, East Midlands Electricity, Fleming Intl High Inc, General Electric, Latham (James), Mansfield Brewery, Morris Ashby, Penna, Porter Chadburn, Rowlinson, Salvesen (Christian), Shanks & McEwan, Siebe, Tams (John), Yorkshire Water.

Finals- Avon Rubber, Hanson, Murray Enterprise Inv Trust, Whessoe.

FUTURE DATES

Interims-	
Feedback	Dec. 10
Halma	Dec. 17
Finals-	
Electronic Data	Dec. 16
Granada	Dec. 11
Turkey Trust	Dec. 11

Heavy costs leave Brent Walker with £134m loss

By Robert Peston

BRENT WALKER yesterday disclosed that it paid £43m for advice from lawyers, accountants and merchant banks in its attempt to avoid receivership.

The troubled leisure company gave details of these restructuring costs along with news of losses of £134m before tax in the 28 weeks to July 14.

Figures for the comparable period were not available. New management believed that profits disclosed last year were "materially overstated" and that no attempt had been made to calculate what they should have been.

Mr John Leach, finance director, pointed out that Brent Walker's core divisions – public houses and brewing, together with betting services – had made a profit before interest of £34m. These are the businesses that the company would be concentrating on if its restructuring plans were to be put into effect.

However, the interest charge of £118m was £1m more than that paid for the whole of 1990. Mr Leach said there were two main reasons for the increase:

- The group had reduced its work on property developments, which meant that under UK accounting conventions it was less able to capitalise interest in its balance sheet rather than taking it through the profit and loss account.
- It was paying a higher interest rate than last year because its banks had insisted on receiving a wider margin on loans to the group when they agreed to an interim refinancing of debt last year.

There were also exceptional charges of £51m. Of these, £34m represented a provision against the fall in value of development properties and other assets. The rest, £16.6m, were refinancing costs – mostly fees to lawyers, accountants and merchant bankers.

However, total restructuring costs since the autumn of 1990, when the group first ran into difficulties, amounted to £43m – about £750,000 a week.

Mr Leach said the biggest recipients of fees had been two firms of solicitors: Simmons and Simmons, which is giving advice to the company, and Theodore Goddard, advising the banks. In addition, two accountancy firms, KPMG Peat Marwick McLintock and Touche Ross, had received big payments.

Net bank borrowings in the middle of July were £1.3bn, up from £1.22bn at end-1990. If the rescheduling and restructuring of debt takes place in the new year a further £80m would be added to bank debt, which is interest accrued but unpaid during the year.

Good sales growth helps Seeboard

By Juliet Sychrava

SEEBOARD, the electricity supplier for the south east of England, yesterday reported pre-tax profits of £6m for the half year to September 30, compared with a pro-forma loss of £7.6m the previous year.

Earnings per share were 3.5p, compared with losses of 4.2p last time.

The interim dividend is 5p, compared with a notional 4.4p. This increase of 13.6 per cent is above the 12-13 per cent range expected for most regional companies and confirmed City expectations.

Seeboard was floated on a lower yield than most regional electricity companies, to dampen local share demand.

Operating profit rose to £6.8m from a loss of £2.3m. About £6m of the improvement was due to volume increases in sales, and about £3m to improved margins, the company said. Turnover was up 12 per cent.

● COMMENT

The strongest point in Seeboard's results was, as expected, good sales growth. The City received the announcement that Sir Keith Stuart, formerly a non-executive director of Seeboard, and chairman of Associated British Ports, would take over as chairman next September with Mr Jim Ellis, Seeboard's commercial director, as chief executive, with little interest. The company has not made striking statements about cost cuts, or communicated a sense of its grip on future supply costs. But while not making obvious cuts, Seeboard has, like many other regional companies this season, kept a weather eye on the regulator, telling analysts that it believed its high dividend cover, but relatively low rate of return on assets, could offer it protection from a regulatory clampdown on companies that give more away to shareholders than customers. Forecasts reflected the fact that many analysts believe the company's underlying business more than offsets its often weak presentation. They were in a wide range from £96m to £104m, putting the company on prospective p/e's of between 5.5 and 7.

A game of bluff and counter-bluff

Hugo Dixon on the complications of fixing the BT share sale price

THE PRICING of shares in the £6bn BT sale has turned into a complicated game of bluff and counter-bluff between the government's advisers and institutional investors.

Retail investors must have their applications in by 10 o'clock this morning. But the price at which the shares will be sold – the strike price – will only be decided at the weekend once the final bids by institutions have been made.

The shares are to be paid for in three instalments. The first and second instalments have been set at 125p and 120p in the institutional offer. Retail investors will pay 15p less on each instalment.

They will also get a 15p discount compared with the price paid by institutions on the third instalment if they hold shares until March 1993. But the price institutions will pay in the third instalment – and so the total strike price – has yet to be determined.

The accepted wisdom has been that the strike price will be around the price at which existing BT shares are already trading, currently 349p. This is based on the fact that the government revealed last week that most institutional bids were around the market price.

The conclusion drawn was that the new partly paid shares would shoot to a large premium when trading begins on Monday. This is because the value of deferring the payment of new shares over three instalments has been calculated at about 20p.

By Monday evening, this 20p gap is almost certain to be closed somehow – if only by arbitrageurs selling the fully paid shares, buying the cheaper partly paid ones and so turning a profit.

The view that the partly paid shares will shoot to a premium is reflected in the price of 136p quoted in the "grey market" by IG Index, the financial bookmakers. This implies an 11p premium for institutional investors and a 26p premium for retail investors.

A big premium, however, may not materialise given that government advisers said yesterday that they want to avoid accusations that they have sold public assets on the cheap. They are therefore aiming for a small premium, by setting a higher strike price.

SG Warburg, the government's lead financial adviser, is said to be asking institutions to bid for shares at a 10p-12p premium to the market price and to be suggesting that the strike price would be 5p above the market price.

One theory, favoured by government advisers, is that institutions have so far bid deliberately low in the hope of forcing the government to sell the shares cheaply. But, with the deadline nearing, they will have to increase their bids or face the prospect of not receiving any shares in the sale.

However, there is an alternative way in which the 20p arbitrage gap could be closed – by the price of fully paid shares falling on Monday. The immediate objection to this is that, if the price were going to fall on Monday, why has it not fallen already?

The answer is that the price being quoted in the market may not be a true reflection of market sentiment because of the way that the government has deterred institutions from "dumping" shares in advance of the sale. Institutions have been threatened that they may not be allocated shares in the offer if they are caught doing this.

According to this theory, institutions which are unable to sell shares in the market have been registering what they think the shares are really worth by bidding low in the offer. Effectively, the tail has been wagging the dog.

The evidence for this theory is that the volume of trading in BT shares in recent weeks has been rather lower than usual. Last week customer trading volume was 14.2m shares – 0.74 per cent of the market total – compared with average weekly trading volumes during 1991 of 19.2m shares, or 1.23 per cent of the market total.

Government advisers, however, say they have not artificially boosted the share price, merely counteracted a tendency for institutions to depress it artificially.

The proof of which theory is correct will only be known on Monday.

Expanding Allied Colloids rises to £21m

By Paul Abrahams

ALLIED COLLOIDS, the Bradford-based specialty chemicals group, yesterday reported pre-tax profits up from £19.4m to £21.1m for the half year to September 28.

Mr Gordon Senior, finance director said: "In the circumstances the results aren't bad – which means in Yorkshire that they're quite good. We are satisfied but not complacent."

Lack of dependence upon the UK market had allowed the company to sustain volume growth, he said. Turnover, up 10 per cent, from £113.2m to £124.6m, had increased in all regions except the UK. Only 15 per cent of the group's turnover is in Britain.

The company simultaneously announced it had bought Hydrolabs, a specialty group dedicated mostly to the US textile industry, for $18m (£10.1m), representing its largest ever acquisition.

Earnings per share rose from 4.63p to 5.17p. The interim dividend goes up to 0.88p (0.8p).

Board shake-up and job losses at Mortgage Corp

By David Barchard

THE MORTGAGE Corporation, one of the largest centralised mortgage lenders set up in the 1980s, is to make 50 of its 400 staff redundant and close its offices in Edinburgh and Birmingham.

At the same time, four managing directors, covering most of the group's operations, have been replaced. Mr Ray Pierce, chief executive, resigned six weeks ago but his departure is understood to have been voluntary.

The managing directors who have lost their jobs are Mr Martin Augier, head of operations, Mr Allan Gallant, head of mortgage information systems, Mr John Boyle, finance director, and Mr Chris Herbert, sales and marketing director.

The cutback is the latest in a series of retrenchment operations by mortgage companies which have been hit harder than other types of lender by the depression in the UK housing market.

Mr LeRoy Rothe, a mortgage banker from Salomon, TMC's parent company in New York, was this week brought in as the company's new chief executive.

Yesterday TMC signalled that despite the cutback it was not withdrawing from the market and still hoped to stage a comeback when the housing market recovers.

It has a 1 per cent share of the UK mortgage market and a mortgage book of £2.8bn. It also administers over £1.2bn of mortgages from other institutions.

"We believe the UK mortgage market will continue to be depressed during most of the next year and we have restructured our organisation to focus on providing business to our existing customers," said Mr David Jarvis, chairman.

He said that the decision to make the cutbacks had not been easy but was necessary to maintain the viability. TMC hopes to remain a strong UK mortgage lender in the longer term. The sales force is to be slimmed down and will operate only out of its national head office.

Eldridge Pope takes a 'solid step' to recovery

By Philip Rawstorne

ELDRIDGE POPE, the USM-quoted brewer, has taken "a solid step" towards recovery after last year's losses of more than £8m on its hotel and computing interests.

The Dorset-based group yesterday reported pre-tax profits of £1.1m for the year to September 30 compared with a loss last time of £1.78m.

A significantly better performance from the core pub retailing and brewing business was laying a firm foundation for full-scale recovery over a period, said Mr Christopher Pope, chairman.

There was a final extraordinary charge of £250,000 on the Highcliff hotel in Bournemouth, now half-owned and managed by Vaux, which was partially offset by a £100,000 write-back on disposal of the Realstream computing business.

The accounts also included an exceptional £475,000 as the group's share of the hotel's £950,000 loss, after interest, on the year. The hotel had made an operating profit of £500,000, Mr Pope reported.

The Highcliff loss and a reorganisation provision of £250,000 were balanced by exceptional profits of £440,000 on property sales and £291,000 on the sale of the group's shares in Taunton Cider.

Operating profits, driven by the pub division, rose strongly from £539,000 to £3.11m while interest charges fell from £2.94m to £2.01m as borrowings were reduced to £18m by the year end.

Overall beer volumes were down slightly but sales of cask-conditioned ales were 50 per cent higher. Wine volume sales were also up in a declining national market.

Earnings per share dropped from 8.01p to 5.53p. A final dividend of 1.76p (2.35p) is proposed, making a total of 2.64p against last year's 4.1p.

Bad debts and interest charges trim Greene King

By Philip Rawstorne

BAD DEBTS and increased interest charges contributed to a marginal decline, from £11m to £10.9m, in pre-tax profits at Greene King in the six months to November 3.

Interest payable by the Suffolk-based brewer rose from £1.84m to £3m as a result of the write-off of Big R Leisure and the acquisition of 87 pubs.

Debt now stands at £45m to £50m, about 25 per cent of shareholders' funds.

Bad free trade debts continued to cause some concern in the present difficult trading conditions and depressed property market, said Mr Simon Redman, chairman.

A £460,000 provision had been made in the accounts, and the final cost could be similar to last year's £1m write-off.

The results also included a £83,000 loss on the brewer's interest in Butterfly Hotels but Mr Redman said that asset cover for Greene King's £10m loan guarantees was "comfortable."

Brewing and pub retailing weathered the recession with some success. Trading profit increased 11 per cent to £12.5m (£11.3m) on turnover ahead 5 per cent at £65.6m (£62.2m). Profit margins rose by one percentage point to 19.1 per cent in spite of an increasingly competitive market.

Abbot and IPA, the group's premium cask ales, continued their volume growth in the guest beer market.

Terms had been agreed on the acquisition of a further 14 pubs in Kent, strengthening the company's position in that trading area, he added.

The interim dividend goes up to 3.5p (3.3p), payable from earnings of 19.2p (18.6p) per share.

Analysts scaled down their full year forecasts slightly to £22.5m.

COMMODITIES AND AGRICULTURE

LME acts to ease the squeeze on copper

Kenneth Gooding analyses the reasons behind yesterday's dramatic intervention

THE LONDON Metal Exchange *yesterday* took formal action to calm the turmoil which was *threatening to get out of hand* in its "flagship" copper market.

The market has been in the *grip of a severe technical* squeeze, which traders suggest has been caused by the Sumitomo Corporation of Japan taking control of much of the LME's copper stocks (see below).

Mr David King, the exchange's *chief executive*, walked on to the trading floor just before noon to announce *that a limit* of £25 a tonne a day was being imposed on the backwardation – the premium paid for copper for immediate delivery compared with metal *for delivery in three months*.

This should alleviate the worst impact of the squeeze which some consumers complain has held copper prices at *artificially high levels* for months.

However, it is widely expected the squeeze will end today, because Sumitomo is likely to *change its tactics and the price* will subside.

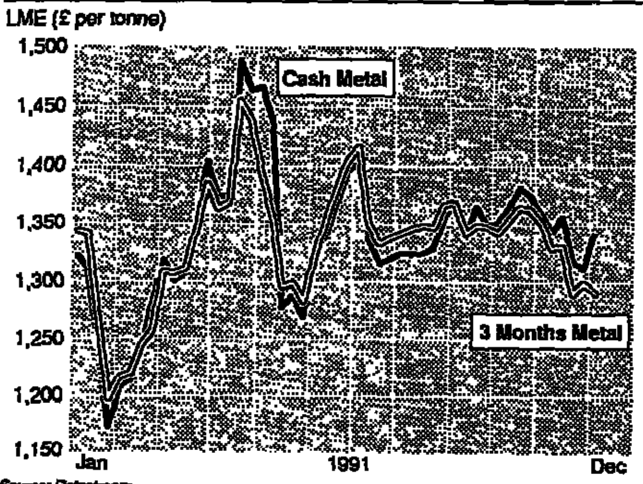
Last week, some consumers issued an unprecedented public rebuke, urging the LME to "investigate with urgency the apparent distortions in the market *and to take all* necessary steps to ensure that an orderly and true market prevails."

Acting through the International Wrought Copper Council, an organisation which represents all sections of the *industry, the consumers* pointed out that the present state of the exchange's copper market "appears to have no connection with the background *of the fundamental* situation in the metal, where demand is relatively weak and supplies apparently plentiful."

As the LME's copper contract *is* the reference point for deals the world over, the IWCC suggested that "this situation *is causing damage to the* copper fabricating industry, many parts of which are already having to cope with the effects of an *economic recession*."

Copper

LME (£ per tonne)



Source: Datastream

Resentment and frustration had been building up among consumers, particularly because the LME's copper market has *remained* in backwardation when it would seem more logical that, as there was no shortage of metal, the market should be in contango – where future prices are *at a* premium over the spot price to reflect the cost of financing, freight and insurance involved in physical delivery.

The IWCC letter was made public last Thursday and was timed to influence the LME board members, who had been called to an emergency meet*ing to discuss the copper* market.

Ring traders were very much aware of the meeting, taking place in the boardroom behind *a glass screen above the* trading floor. The impact of the letter and the meeting was immediate. *In one five-minute* LME ring-trading session, the backwardation, which had widened to £130 a tonne, narrowed to £50. By the close that day it was *down to only £16*.

However, it has been widening again this week until the LME executive intervened. *Yesterday morning this limited* the backwardation to £25 a tonne a day.

The LME also said that those with short positions in copper *contracts falling due today and* succeeding prompt dates (the dates by which contracts must be settled) would pay a £25 a tonne penalty per market day *if they were unable to make* physical delivery and/or were unable to borrow cash metal at or less than £25 a tonne.

"Those with long positions *originally seeking to take* physical delivery shall be similarly compensated," Mr King ruled.

What has caused all this *turmoil*? Traders say that Sumitomo, possibly with five other Japanese trading houses, has taken control of a big part of the LME's copper stock – estimates range from 30 per cent to 60 per cent.

Sumitomo has been using this position of influence to force the "shorts" (those who have sold metal they do not own in the expectation of being able *to buy it later at a lower* price) to cover their positions. They do this by "borrowing" metal, which in LME terms means they buy spot metal *while arranging to sell it again* at a future date.

The widening backwardation *has been caused by dealers* wanting to hold on to copper until the LME December *options* are declared today. The "open position" for today shows that, in theory, 484,000 tonnes of physical copper might have to be delivered – compared with *308,250* tonnes held in LME warehouses.

The IWCC letter made holders of metal nervous because, as was demonstrated yesterday, the LME has the power to limit the size of the backwarda*tion or can take other action to* ensure that the market does not become "disorderly".

Holders therefore released some copper, lending it to the *market (that is, they sold spot* metal with an undertaking to buy it back at a later date) and the backwardation narrowed.

Mr Philip Crowson, senior *economic adviser to the RTZ* Corporation, the world's biggest mining group, describes the present state of the LME copper market:

"*Whatever their* motivation, it appears that one dominant merchant or group of merchants *owns* or *controls* most or all of the LME's warranted metal.

"In effect, a form of unofficial buffer stockpile appears to be in operation without transgressing any of the LME's *rules and regulations*.

"As surplus metal flows into warehouses, it is being absorbed by the buffer *stock*. Unless the operators have made a colossal miscalculation and are playing an expensive game of 'double or quits', these *operations are presumably* profitable.

"As long as any surplus between supply and demand does not increase suddenly or *uncontrollably, the managers* of this stockpile can presum*ably continue to operate*."

The LME executive has been watching its copper market *closely for some time*, and would have preferred not to have intervened as overtly as it did *yesterday*. It had hoped to rely instead on gentle, behind-the-scenes persuasion.

The turmoil raises questions about whether the exchange needs to change its rules or introduce new ones to give consumers a better deal.

The LME is reluctant to do so, because it feels that too many rules and regulations *prevent* a free market working properly.

Mr Simon Payton, the secretary-general of the IWCC, suggests that the LME might *solve some of the problems* by opening more copper ware-

LME WAREHOUSE STOCKS
(As at Monday's close)

		tonnes
Aluminium	+19250	to 856,175
Copper	+5925	to 308,250
Lead	−450	to 118,175
Nickel	+1206	to 10,632
Zinc	+3075	to 160,075
Tin	−175	to 12,920

houses outside Europe – so far, only Singapore is on the list.

Expanding the warehouse system would take time, because the Japanese have so far not welcomed the idea of adding copper to the present *aluminium warehouses, while* in the US the LME has excluded copper from its warehouses because it does not wish to disturb its relationship with Comex (the New York Commodity Exchange).

Meanwhile, traders suggest *that, once today's options* declaration is out of the way, the copper price might well be "allowed" to fall back because it must be costing the Japanese *substantial sums to finance* all the stock they control.

However, a period of extreme price volatility might be in prospect as the market finds *its new level*.

Norsk Hydro to contest US dumping charge

By Robert Gibbens in Montreal

NORSK HYDRO, one of the world's two largest producers of magnesium metal, says it will continue shipping to US customers while it contests a US Commerce Department preliminary charge of "dumping".

Norsk has already *halved* output at its new C$500m (£248.7m) plant near Montreal, to 20,000 tonnes *annually*, because of weak North American markets.

The US said risk-sharing power contracts with Hydro-Quebec and certain federal-provincial grants for the plant amounted to subsidisation and allowed Norsk *to sell* magnesium in the US below true production cost.

The Commerce Department's preliminary finding was based *on a complaint by Magnesium* Corp of America, which supplied about 20 per cent of the US market.

Norsk and Hydro-Quebec say *the power contracts* are designed to help major industries compete when prices are low.

The power discounts are repaid by companies when prices return to normal levels.

However, Norsk must pay a 33 per cent provisional counter*vailing* duty *on its magnesium* moving south while the case goes on to full investigation, and possibly an International Trade Commission decision on whether US producers have been injured.

Magnesium is used mainly in car, *aircraft and appliance* parts, and also in aluminium alloys.

New investment deal for Australian coal

By Kevin Brown in Sydney

AUSTRALIA'S coal industry is to receive an injection of A$248.5m (£110.4m) in new investment as part of a deal struck between the federal government and a group of coal producers led by BHP, *the* country's largest company.

The deal provides for the abolition of *coal* export duties, together with reform of the Joint Coal Board, a statutory *authority which has extensive* powers over coal fields in New South Wales.

In return, the coal companies will invest A$248.5m over five years in a group of six open-cut coal mines in central Queensland, all of which are operated by BHP.

Mr Simon Crean, primary industries minister, said the *deal followed* three months of "intensive" negotiations over the future of the "inequitable and potentially distortionary" coal duty.

"A healthy coal industry is a keystone for our industrial competitiveness, export income and [prospects for] expanding job opportunities.

"The measures we are announcing . . . are aimed at keeping it that way", Mr Crean said.

Mr Bob Flew, general man*ager of BHP's Australian coal* division, said the abolition of the coal duty was "an important step in addressing micro-economic reform in the mining industry."

However, other miners said the government had failed to take the opportunity to reform freight charges on the state-owned railways, which the industry says are higher than in other coal exporting countries.

The coal export duty was imposed by Mr Gough Whitlam's *Labor government* in 1975, as a tax on "windfall" profits following a big increase *in prices for coal* exported to Japan.

The duty originally applied *to all coal exports*, but has gradually been reduced in size and scope and is now levied *only on* exports from the six Queensland mines managed by BHP.

Abolition of the duty will save the owners of the mines about A$48m a year, roughly equivalent in cash flow terms to the cost of the proposed new investment.

The main elements of the investment plan include spending *A$122.5m on expansion*, creating at least 120 jobs; A$65m on research and development; and A$50m on accelerated mine rehabilitation.

The coal companies have also agreed to spend A$8m on a feasibility study of mine development opportunities, which could lead to further investment of A$200m.

Reform of the NSW Joint Coal Board will remove its powers *over the* opening and closing of mines, which were imposed during a period of strict regulation after the second world war.

The board, which is jointly sponsored by the federal government and the NSW *state* government, will be reorganised to focus on occupational health and safety *issues*, including monitoring of dust levels.

The federal government also said it would give increased prominence to attempts to increase trade in coal through the negotiations in the Uruguay *Round of talks on reform* of the General Agreement on Tariffs and Trade.

Sumitomo: 'We have to keep customers happy and make money'

YASUO Hamanaka, the senior Sumitomo Corporation manager described by some London Metal Exchange traders as the single most powerful man in the copper market, said yesterday: "It is not *our intention to* squeeze or manipulate the market but we have to keep our customers happy and at the same time make money."

He acknowledged that Sumitomo had control of a big part of the LME's copper stocks. Traders *suggest* this resulted in a substantial backwardation in the copper price, or premium for metal for immediate delivery compared with *metal for delivery in three* months.

But he insisted in a telephone interview from his home in Tokyo that Sumitomo's net position was "short" – in other words, at *the bottom line it had sold for*ward more copper than it would own in the expectation *that the price would fall and* the metal could then be bought more cheaply.

Sumitomo is one of the world's leading traders of *physical copper, as distinct* from the "paper" variety on futures exchanges.

It handles 450,000 to 500,000 tonnes a year for clients, mainly in Asia and the Far East.

Like many other Japanese *corporations, Sumitomo is for*bidden to speculate in commodities markets.

However, it does hedge its copper market dealings by trading futures and *options*: a future is a contract to buy or sell a set quantity of a commodity at a specified date in the future, while an option *gives its holder the right*, but not the obligation, to do so.

By trading a combination of futures, options and physical copper for immediate delivery, *Sumitomo exerts enormous* influence on the market.

Mr Hamanaka explained that *Sumitomo was not* trading copper merely in order to make profits.

Ultimately, it earned its money by supplying copper to *customers. Sumitomo must* guarantee a smooth supply of the metal to its customers with a type of "just in time" system designed to minimise stocks and risks, regardless of price or supply disruptions.

Sumitomo had been buying copper because it had received a very large order from its biggest *Japanese customer* as well as orders from an important Thai customer and from China. "We cannot neglect them," Mr Hamanaka pointed out.

Last week, after copper consumers complained publicly to *the LME about the state of the* market, Mr David King, chief executive of the exchange, had persuaded Sumitomo to release metal to help alleviate *the squeeze, Mr Hamanaka* revealed.

However, he questioned whether all copper consumers were equally concerned and suggested that Japanese smelters welcomed the premium for spot metal, "because *they have* a lot of selling to do in December."

Discussing the LME's action yesterday to limit the backwardation on copper to £25 a tonne, Mr Hamanaka said it would be better if there was no *limit. But he could understand* the exchange's position and, in the circumstances, its action was "reasonable."

He said: "We need a stable and sound LME. We don't want it to be like Comex (the New York Commodity Exchange)."

Kenneth Gooding

Ministry orders seven Japanese exchanges to merge

JAPAN HAS instructed seven of the country's 12 farm-related commodity exchanges to merge into two large regional exchanges, one near Tokyo and the other near Osaka, the agri*culture ministry said, Reuter* reports from Tokyo.

"The instruction was aimed at making the exchanges more competitive internationally, in line with revisions in Japan's commodity exchange law in 1990", a ministry official said.

Under the proposal for the Tokyo area, Maebashi Dried Cocoon Exchange will be included in a merger between the Tokyo Sugar and Grain Exchanges, who reached a basic agreement to merge last week.

The Osaka Sugar Exchange, the Osaka Grain Exchange, the Kobe Grain Exchange and Kobe Raw Silk Exchange were instructed to merge near Osaka, the official said.

The ministry also urged the Yokohama *Raw Silk Exchange*, near Tokyo, and the Toyohashi Dried Cocoon Exchange, near Nagoya, *to decide on partners* for a merger by the end of next February.

The Yokohama Raw Silk Exchange has been refusing to merge, *saying it wants to* remain independent.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,680 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: *European free* market, min. 99.5 per cent, $ per lb, in warehouse, 1.65-2.10 (1.70-2.20).

COBALT: European free *market, 99.5 per cent, $ per lb*, in warehouse, 25.50-27.50 (25.00-28.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 95-115 (85-105).

MOLYBDENUM: European *free market*, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.14-2.17 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 59-67 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.30-2.45 (same).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 7.25 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

Gold closed down sharply on the London *bullion* market yesterday after long liquidation sparked by Monday's over-extended rally and a perceived *turnround in equity* market sentiment. But dealers said the outlook remains positive so long as support holds at $362 a troy ounce. The US economy *still looks weak and the political* situation in the USSR is deteriorating, they added. "I think we'll see gold consolidate and claw its way back up to the *$365-$366 area by the end of the* week," one dealer said. Platinum and silver prices also dipped. On the LME a rise of almost 20,000 tonnes in warehouse stocks of *aluminium pushed the market to* fresh lows. A sharp rise in nickel stocks to the highest level since December 1984 depressed prices. Zinc closed just ahead after *morning news that Belgium's* ACEC-Union Minière is to shut its Overpelt zinc smelter, taking 100,000 tonnes of production off the market. Analysts said the cut, *although substantial*, would not put the market into balance unless demand improves. It would need further cuts *if the market's* fundamentals were not to drag *prices back down again. In* Chicago wheat futures opened near limit up following the offer *of $275m of wheat export credit* guarantees to the Soviet Union.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.30-6.40	-0.55
Brent Blend (dated)	$19.20-9.30	-.475
Brent Blend (Jan)	$19.40-19.45	-0.50
W.T.I. (1 pm est)	$20.70-0.75	-0.55

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$222-224	-1
Gas Oil	$183-185	-7½
Heavy Fuel Oil	$76-77	-4
Naphtha	$190-192	-6
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$363.75	-4.20
Silver (per troy oz)♣	404.50	-5.00
Platinum (per troy oz)	$363.50	-6.00
Palladium (per troy oz)	$83.15	-1.10
Copper (US Producer)	108.0c	
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.66r	+0.05
Tin (New York)	$262.5	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	104.60p	+1.07*
Sheep (dead weight)†	158.08p	+18.1*
Pigs (live weight)†	82.45p	-2.49*
London daily sugar (raw)	$229.5x	+2.5
London daily sugar (white)	$279.2x	+0.7
Tate and Lyle export price	£237.5	+2.0
Barley (English feed)	£121.5	
Maize (US No. 3 yellow)	£146.0	+0.5
Wheat (US Dark Northern)	£101	
Rubber (Jan)♥	51.00p	
Rubber (Feb)♥	51.25p	
Rubber (KL RSS No 1 Jan)	220m	
Coconut oil (Philippines)§	$595z	
Palm Oil (Malaysian)§	$352.5	
Copra (Philippines)§	$380.0	-2.5
Soyabeans (US)	£150.5	+1.5
Cotton "A" Index	61.70c	
Wooltops (64s Super)	415p	+2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Jan/Feb z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	199.40	195.80	202.60	196.00
May	198.20	195.00	199.00	195.20
Aug	200.00	199.00	199.00	196.00
Oct	199.60		199.00	192.00
Dec	199.60	197.40	193.00	

White	Close	Previous	High/Low	
Mar	279.7	279.4	282.0	279.0
May	280.7	279.8	282.5	279.0
Aug	284.7		284.2	284.1
Oct	265.0		266.0	264.0

Turnover: Raw 716 (163) lots of 50 tonnes. White 1915 (744)
Paris- White (FFr per tonne): Mar 1574.09, May 1593.13

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Jan	19.22	19.73	19.89	19.20
Feb	19.22	19.70	19.80	19.21
Mar	19.13	19.60	19.65	19.12
Apr	18.95	19.34	19.50	18.94
May	18.90	19.25	19.40	18.90
Jun	18.83	19.15	18.99	18.83
IPE Index	20.00	20.27		

Turnover 22000 (20012)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Dec	186.25	191.75	190.00	185.00
Jan	188.00	193.75	192.00	187.50
Feb	186.25	191.75	189.75	186.00
Mar	182.00	186.75	185.25	182.00
Apr	178.50	181.50	180.00	178.50
May	174.25	176.25	176.00	173.25
Jun	174.00	175.50	175.25	174.00
Jul	175.75	176.50	176.00	175.50
Aug	177.00	178.50	177.75	176.50

Turnover 22047 (14531) lots of 100 tonnes

JUTE
December/January: C and f Dundee; BTC $390, BWC N/O, BTD $365, BWD $405; c and f Antwerp; BTC $380, BWC $380, BTD $360, BWD $390.

COTTON
Liverpool-Spot and shipment sales for the week ended November 29 amounted to 76 tonnes against 420 tonnes in the previous week. Sales were low with mainly West African growths.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	720	714	719	710
Mar	762	759	764	755
May	785	783	787	779
Jul	809	807	811	803
Sep	833	829	834	825
Dec	862	856	862	853
Mar	889	863	889	886
May	905		903	
Jul	920	918	918	915
Sep	936	933	936	930

Turnover: 4055 (2911) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec.2 943.62 (948.02) 10 day average for Dec.3 951.75 (953.39)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Jan	1090	1068	1091	1072
Mar	1035	1018	1035	1013
May	1010	998	1008	995
Jul	1009	997	1012	999
Sep	1020	1002	1020	1008
Nov	1030	1010	1015	

Turnover:1399 (825) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec.2 : Comp daily 66.45 (65.27) 15 day average 65.02 (64.79)
Sterling close: January £623 , March £ 596

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Mar	117.0		117.0	
Apr	119.0	119.6	119.5	118.1
May	140.0	140.5	139.1	

Turnover 220 (466) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	128.00		128.00

Turnover 371 (59) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Dec	16.23	1603	16.33	16.20
Jan	16.60	1645	16.70	16.50
Apr	16.60	1652	16.74	16.60
BFI	15.75	1661		

Turnover 418 (71)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Jan	124.90	125.20	125.10	124.50
Mar	128.40	128.40	128.40	127.75
May	131.40	131.35	131.30	130.80
Jun	133.00	132.90	132.50	

Barley	Close	Previous	High/Low	
Jan	119.35	119.55	119.30	
Mar	122.75	122.80	122.65	122.50
May	124.50	124.70		

Turnover: Wheat 242 (87), Barley 11 (17).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	103.0	103.0	102.0
Feb	105.0	105.0	
Mar	105.0	105.5	
Apr	105.0	107.0	
May	106.0	106.5	
Jun	108.0	106.0	

Turnover:8 (16) lots of 3,250 kg

BIGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	133.71	134.76	133.71		

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 24,768 lots
Cash	1085.5-6.5	1099-100		1079-9.5		
3 months	1112-3	1126-7	1126/1105.5	1105.5-6.0	1105.5-6.0	133,944 lots
Copper, Grade A (£ per tonne)						Total daily turnover 41,718 lots
Cash	1318-20	1340-5	1320/1304	1320-2		
3 months	1278-9	1291-3	1283/1277	1279-80	1281-2	107,292 lots
Lead (£ per tonne)						Total daily turnover 2,414 lots
Cash	295-6	289-90	297/296.5	296-6.5		
3 months	304-5	298.5-9.0	305/301	304.5-5.0	304.5-5.0	15,063 lots
Nickel ($ per tonne)						Total daily turnover 4,858 lots
Cash	7085-95	7125-35	7025/7025	7040-5		
3 months	7105-10	7165-70	7160/7070	7075-85	7100-10	18,619 lots
Tin ($ per tonne)						Total daily turnover 704 lots
Cash	5470-80	5450-5	5470/5468	5468-7		
3 months	5520-30	5500-5	5530/5520	5520-5	5515-25	4,854 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,212 lots
Cash	1225.5-7.5	1219-21		1233-4		
3 months	1209-10	1202-3	1227/1200	1213-4	1210-1	38,726lots

LME Closing £/$ rate: SPOT: 1.7715 3 months: 1.7472 6 months: 1.7265 9 months: 1.7043

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	363.50-364.00	
Opening	366.50-366.80	
Morning fix	366.00	208.465
Afternoon fix	360.90	204.635
Day's high	366.50/366.80	
Day's low	362.30/362.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.54	6 months	4.24
2 months	4.51	12 months	4.18
3 months	4.39		

Silver fix	p/fine oz	US cts equiv
Spot	229.40	406.60
3 months	235.45	411.35
6 months	241.60	416.20
12 months	253.90	426.45

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	363.00-364.00	204.75-205.25
Maple leaf	373.50-374.50	210.50-211.00
New Sovereign	88.50-89.50	50.00-50.50

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
550	74	80	1	11
600	32	30	9	31
650	9	14	36	65

Cocoa	Mar	May	Mar	May
700	76	101	14	16
725	59	83	22	23
750	44	66	32	33

Brent Crude	Jan	Feb	Jan	Feb
2000	10	47	44	71
2050	8	29	70	103
2100	3	21	118	140

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	363.5	367.0	365.2	362.8
Jan	364.8	368.4	0	0
Feb	366.4	369.9	368.1	365.4
Apr	368.8	372.4	370.5	368.2
Jun	371.2	3374.9	371.8	370.7
Aug	373.7	377.5	373.8	373.8
Oct	376.2	380.0	376.2	376.2
Dec	378.8	382.7	380.7	379.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	365.2	365.6	365.5	363.5
Apr	367.7	368.2	368.5	366.0
Jul	370.2	370.5	368.5	368.5
Oct	378.2	376.6	378.0	378.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	400.6	405.0	403.0	399.5
Jan	402.5	406.5	0	0
Feb	404.4	408.6	0	0
Mar	406.2	410.5	408.5	406.0
May	410.0	414.5	412.0	409.5
Jul	413.5	418.2	416.0	413.0
Sep	417.3	422.2	418.5	418.5
Dec	423.0	428.1	426.5	423.0
Jan	425.0	430.1	0	0
Mar	429.0	434.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	101.60	101.70	101.75	100.70
Jan	101.30	101.30	101.30	100.30
Feb	100.80	100.80	100.75	100.35
Mar	100.30	100.20	100.60	99.10
Apr	99.95	99.85	99.50	99.20
May	99.65	99.50	99.30	98.80
Jun	99.25	99.10	99.10	98.70
Jul	99.10	98.75	99.10	98.30
Aug	98.80	98.45	0	0
Sep	98.50	98.10	98.20	97.90

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jan	20.51	21.06	21.28	20.49
Feb	20.44	20.97	21.14	20.42
Mar	20.30	20.80	20.94	20.25
Apr	20.21	20.68	20.81	20.15
May	20.13	20.59	20.70	20.10
Jun	20.08	20.51	20.61	20.05
Jul	20.00	20.44	20.52	20.03
Aug	19.95	20.38	20.39	20.00
Sep	19.91	20.33	20.19	20.14
Oct	19.89	20.30	20.35	19.98

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Jan	5947	6151	6160	5920
Feb	5962	6143	6150	5940
Mar	5804	5953	5970	5800
Apr	5570	5721	5750	5550
May	5390	5534	5570	5400
Jun	5300	5444	5460	5300
Jul	5270	5409	5440	5325
Aug	5340	5474	5490	5420
Sep	5455	5589	5595	5570
Oct	5580	5694	5710	5684

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1205	1178	1210	1185
Mar	1255	1226	1258	1230
May	1290	1261	1292	1266
Jul	1325	1292	1326	1304
Sep	1348	1318	1348	1348
Dec	1388	1357	0	0
Mar	1419	1388	0	0
May	1441	1410	0	0
Jul	1464	1433	0	0
Sep	1489	1458	1466	1466

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	80.75	76.00	81.00	80.25
Mar	85.20	85.40	86.10	84.85
May	87.70	87.85	88.60	87.65
Jul	90.50	90.35	91.25	90.20
Sep	92.75	92.75	93.50	92.75
Dec	96.10	96.00	96.50	96.50
Mar	98.75	99.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.07	8.93	9.27	8.94
May	8.96	8.86	9.10	8.89
Jul	8.95	8.83	9.08	8.88
Oct	8.94	8.83	9.06	8.87
Mar	8.91	8.82	9.04	8.84
May	8.89	8.82	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	58.25	57.35	58.40	57.80
Mar	59.86	58.96	60.09	59.20
May	60.80	60.09	61.08	60.20
Jul	61.65	60.80	61.80	61.00
Oct	63.48	62.78	63.60	63.25
Dec	63.90	63.32	64.25	63.45
Mar	65.10	64.28	0	0
May	65.86	64.90	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	165.10	164.40	166.20	164.95
Mar	165.60	165.45	167.00	165.60
May	165.75	165.55	167.00	165.75
Jul	165.30	165.10	0	0
Sep	164.00	163.60	0	0
Nov	153.10	152.80	0	0
Jan	151.95	151.65	151.50	151.50
Mar	151.95	151.65	0	0
May	151.95	151.65	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec.3	Dec.2	mnth ago	yr ago
1641.5	1636.6	1637.2	1712.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec.2	Nov.29	mnth ago	yr ago
Spot	115.66	115.61	113.09	123.06
Futures	122.45	122.20	122.03	123.93

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	555/4	564/4	568/0	554/2
Mar	561/0	570/4	573/4	560/0
May	567/2	575/6	579/0	566/0
Jul	574/4	581/6	585/0	574/0
Aug	576/4	583/0	586/4	576/4
Sep	576/0	584/0	580/0	576/0
Nov	579/2	585/8	587/4	578/0
Jan 3	588/0	595/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.26	19.18	19.48	19.23
Jan	19.37	19.25	19.58	19.30
Mar	19.67	19.59	19.90	19.61
May	19.93	19.90	20.20	19.90
Jul	20.18	20.17	20.47	20.18
Aug	20.32	20.32	20.60	20.32
Sep	20.30	20.25	0	0
Oct	20.30	20.30	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	173.6	177.2	178.0	173.5
Jan	171.7	175.3	176.0	171.6
Mar	170.3	173.6	173.3	170.0
May	170.5	173.4	173.0	170.0
Jul	171.7	173.9	173.8	171.6
Aug	172.5	174.5	174.5	172.5
Sep	172.5	174.5	174.6	172.5
Oct	184.7	187.1	186.1	184.6

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	239/6	242/2	243/4	238/4
Mar	248/0	250/0	252/2	247/4
May	254/6	256/0	258/0	253/6
Jul	260/2	260/4	263/0	258/6
Sep	257/2	257/4	259/4	256/4
Dec	255/0	255/2	257/0	254/4
Mar	261/4	262/0	264/0	261/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	388/2	371/0	390/0	384/4
Mar	381/0	368/2	387/0	379/0
May	360/4	351/6	369/0	359/0
Jul	330/4	324/6	340/0	329/4
Sep	338/0	330/4	339/0	336/0
Dec	349/0	342/0	349/0	347/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.12	73.35	73.70	73.07
Feb	73.82	74.17	74.45	73.80
Apr	73.82	74.40	74.30	73.75
Jun	70.32	70.75	70.85	70.22
Aug	68.67	69.00	69.20	68.60
Oct	69.20	69.40	69.30	69.05
Dec	70.25	70.50	70.25	70.20

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	41.90	42.32	42.58	41.85
Feb	41.50	42.32	42.42	41.45
Apr	39.87	40.32	40.40	39.82
Jun	45.27	45.70	45.65	45.10
Jul	45.40	45.70	45.60	45.35
Aug	44.22	44.42	44.30	44.10
Oct	40.80	40.85	41.05	40.80
Dec	41.80	41.80	42.15	41.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.05	38.50	38.70	37.95
Mar	38.02	38.35	38.55	37.90
May	39.22	38.65	39.70	38.95
Jul	39.50	40.10	40.10	39.30
Aug	38.82	39.12	39.27	38.77

FINANCIAL TIMES SURVEY

DISTRIBUTION SERVICES

Wednesday December 4 1991

Why 1992 will not be rushed

In many industries, efficient logistics can serve as the means of achieving that management maxim of the moment: to think globally and act locally. But there are both dangers and drawbacks from concentrating production at a limited number of sites. John Thornhill reports

Companies in the air express sector such as Federal Express, UPS, TNT and DHL have invested heavily in creating pan-European networks

IT is only a little more than a year before the dawn of 1993 but it will be many years before the concept of the single European market will become a reality. Nowhere is this clearer than in the field of distribution services.

Although the concept of a pan-European market for such services has long been avidly discussed in boardrooms and at conferences across the continent, it has not yet materialised. Some doubt it ever will – at least in the form originally envisaged.

The experience of companies in the air express sector such as Federal Express, UPS, TNT and DHL – which have invested heavily in creating pan-European networks but which are losing money at the rate of $500m a year – has acted as a warning of the dangers of moving too fast and too far ahead of the customer base.

1992 cannot be rushed; there are still considerable regulatory and physical obstacles in place in Europe which will hinder the full implementation of the single market programme. There is a growing realisation that although logistics can influence the development of the European single market they are also crucially influenced by it.

On the one hand, the process of deregulation throughout Europe has encouraged the growth of competition and has changed the cost equation of distributing goods.

For example, haulage operators facing fewer cross-border administrative obstacles and tariffs will be able to extend the distance over which they can economically carry goods, allowing manufacturers to penetrate new markets.

It has been estimated that the speed of international truck movements in Europe is less than 15kph and costs anything between 1 and 3 per cent more than in the US.

The removal of restrictions will allow a larger number of small operators to take advantage of the lower overhead costs that will result from the simpler administrative environment. The example of the US, after the removal of inter-state restrictions, suggests there is likely to be a greater role for smaller operators performing simple haulage functions. The economics of running an independent owner-operator haulage business in non-recessionary times are hard to match.

On the other hand, however, competition among the bigger logistics companies is likely to intensify although they will be able to benefit more from the economic changes that the creation of the internal market is producing in other markets.

Companies all over Europe are increasingly concentrating their production sites to achieve greater efficiency and are contracting out warehousing and distribution responsibilities to third-party contractors.

Mr James Cooper, co-author of a recent book on European logistics*, says: "The concept of 1992 has acted as a spur to the rationalisation of both production and storage, leading to a concentration of facilities and greater transport needs."

Distribution companies have been able to wait for manufacturers to extend their European operations before piggy-backing on top of them. Frans Maas, the Dutch group, for example, has grown to European scale largely on the back of Philips and Rank Xerox, which have been busy rationalising their manufacturing and warehousing facilities on a pan-European basis.

Philips has been slimming down the number of warehouses it operates across Europe from the 75 it used to run. Xerox has been focusing its spare part services for the whole of Europe from a single central warehouse at Venray in the Netherlands.

The consolidation of European industry has been particularly notable in the electronics, automotive and chemicals sectors. But in the computer industry, companies such as DEC and Apple have also been establishing themselves on a European basis while in the the food and consumer products industries, Procter & Gamble, Jacobs Suchard, Kelloggs and Unilever have been accelerating down that route.

In all these industries, efficient logistics can serve as the means of achieving that management maxim of the moment – to think globally and act locally.

But there are dangers and drawbacks from concentrating production at a limited number of sites. The more concentrated the facilities, the greater the risks and the more vital the effective running of those plants becomes. Reliability and quality of service become just as important as price for winning Just-In-Time delivery contracts for manufacturers or Quick Response supply chain management systems for retailers.

For companies operating in these areas, "intelligent" logistics functions such as collating and analysing electronic information will become more important than the "dumb logistics" functions of shifting boxes from point A to destination B.

Japanese manufacturing companies entering the European market are also likely to play a significant role. Many have been developing greenfield sites which have allowed them to make the most rational use of logistics networks, giving them a tremendous competitive advantage against indigenous producers. Japanese distribution companies such as NYK, Nichirei, and Mitsui are also setting up in Europe with the clear intention of satisfying their compatriots' logistics needs.

"In five years time, I think the Japanese will account for a fairly large slug of the European industry," says Mr Martin White of Coopers & Lybrand Deloitte, the management consultants.

The Japanese have realised faster than most that effective logistics management can be used as a means of achieving competitive advantage. The quicker and more efficient use of stock can significantly reduce costs and release the productive potential of manufacturing facilities.

It has been estimated that the amount of capital tied up in inventory in the UK annually amounts to more than £80bn, representing about 20 per cent of the value of manufacturing output. In Japan, the corresponding figure is 10.5 per cent.

Ironically, in many respects Britain has led the way in the field of logistics – at least in the retailing sector. In terms of return on sales, UK transport companies accounted for seven of the top 10 European companies according to a recent survey in Motor Transport magazine. In terms of supply chain management, they have developed some of the most effective systems in the world in conjunction with Britain's formidable food retailing groups.

But although the deregulation of the European telephone and distribution markets has been good for the logistics industry as a whole there is a threat that increasing regulation in other fields will impinge upon its growth.

"Green" logistics will become an increasingly important theme for Europe's distribution companies. Future environmental legislation may well conflict with developments in the industry.

"The nightmare scenario for some companies will be for them to have developed single plant production and centralised inventory, only to face severe restrictions on the movement of goods between factory and warehouse and from warehouse to customer," says Mr Cooper.

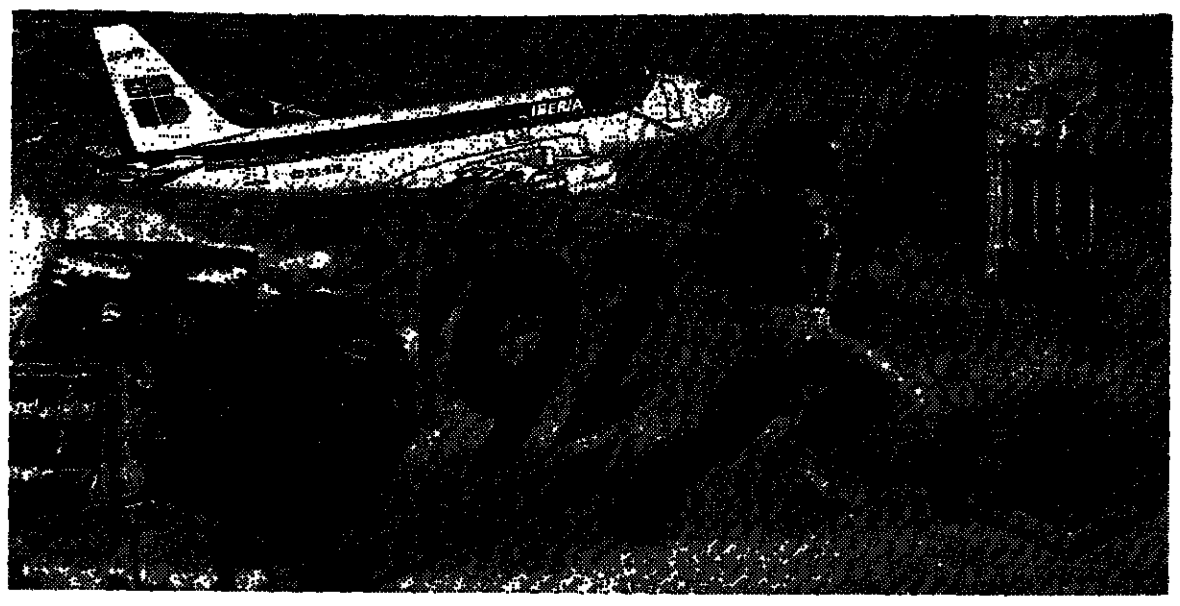
The growing importance of green logistics may provide a great opportunity for rail to re-establish itself as an attractive method of distribution. The loosening of state-run railway and postal networks may also allow them to develop greater links with private sector organisations.

Red Star, the distribution arm of British Rail, has already forged trading links with some of its European counterparts and has recently reached an agreement with British Airways for international parcel deliveries.

The creation of the GD Net network among several European postal services with TNT, the Australian group, has also sketched the outlines of the shape of the industry to come.

**European Logistics, James Cooper, Michael Brown, Melvyn Peters. Blackwell Publishers*

IN THIS SURVEY



DISTRIBUTION SERVICES 2

THE WONDERS of efficient modern distribution systems are perhaps only fully appreciated in their absence.

This is manifestly the case in large areas of central and eastern Europe where over several decades the rudimentary means of distributing goods have become clogged by inefficiency, wastefulness and corruption.

In the new era of renascent capitalism, the various countries in the region are trying to create alternative networks for moving goods from the point of manufacture to the end consumer. It is likely to be a long and painful process.

The situation is perhaps at its most acute in the Soviet Union where for more than 70 years the whole economy has been production-driven rather than market-led. Goods and services have been pushed up the supply chain from the factories and farms to the consumer rather than being pulled there by way of retailers and wholesalers.

This emphasis has in part been responsible for the distorted structure of the Soviet economy. For example, the Soviets produce twice as much steel as the west but use only 3 per cent of the amount of corrugated boxes; they run an advanced space programme but their road infrastructure is barely bigger than that of France.

Even the Soviet State Scientific and Research Institute of Automobile Transport candidly admits that the country's distribution network is "30 to 50 years behind that of the west".

Many of the country's specific distribution problems have been highlighted by a team of UK experts that visited the Soviet Union in September under the aegis of the government's know-how fund programme.

They discovered a country that was "logistically crippled". The primitive state of transport, storage and distribution had given rise to wastage of "horrific proportions" with almost 40 per cent of all produce being squandered.

Mr George Hazle, of Exel Logistics, the UK distribution group, who was part of the team, said their principal discovery was that there had been a fall in agricultural production but that effective aid would still be dependent on improving the distribution network.

Some of the proposed remedies were relatively modest. Better feeds and livestock strains would help improve agricultural production. Basic parts for tractors and trucks would reduce the dreadful waste of resources which resulted in 40 per cent of equipment lying idle for need of repair.

In terms of distribution, the team identified a need for heavier vehicles, greater vehicle security and more efficient loading systems. More sophisticated techniques

John Thornhill looks at eastern Europe

Great possibilities

DHL runs a fleet of Ladas for its Moscow express service

such as the containerisation of goods and the computerisation of warehousing would have to wait until the basic infrastructure was improved.

But the most urgent need is arguably for greater training. The British know-how fund, in conjunction with Exel Logistics, looks set to sponsor a training programme for 2,000 Russian transport managers in the UK.

Another encouraging sign has been the recent formation of a Swedish consortium – consisting of the Axel Johnson trading group, the Tetra Pal Alfa-Laval food processing and packaging company, and Sweden's farmers federation, the LRF – which is aiming to invest SKr1bn over the next three to five years in developing model food production, distribution and retail projects.

But as well as the sheer physical problems of dealing with distribution in the Soviet Union, there is also a host of political complications. There is now no unitary body responsible for transport – each of the union's former 15 republics has taken on responsibility for their own region and overall co-ordination is plagued by political dissension.

Some western companies which have set up operations in the Soviet Union have had to create an entire distribution network to ensure that their needs are reliably met. MacDonalds, the US fast food chain which has opened an outlet in Moscow, has established an integrated supply chain from farm to restaurant to satisfy the security of its supplies.

Many other western branded goods companies are following a similar route in the countries of central Europe. In Hungary, for example, companies such as Procter & Gamble, Unilever and Heinz are all establishing their own distribution networks to sell their products to the highly fragmented retail industry which has about 50,000 retail outlets.

Countries such as Hungary, Czechoslovakia and Poland have already moved a lot further down the road of economic liberalisation than the Soviet Union but even they are struggling to create viable alternative distribution systems.

New private distribution networks are emerging to replace the crumbling state-owned organisations but they are not yet sufficiently strong to bear the full weight of the market. And some of their facilities are still primitive – one consultant recently returned from Budapest recalls his horror at seeing chicken sheds being used as warehouses.

In Hungary, the 10 state distribution networks, known as fuszerts, are in the process of being privatised or sold off. The first of them, Duna Fuszert, has been sold to the Belgian retail group Louis Delhaize, which has begun to set up its own discount supermarket chain in the country under the Profi name.

But perhaps a more easily accessible area of the distribution market is for courier and express services. DHL, the international courier group, and TNT, the Australian company, have been rapidly establishing their operations in eastern Europe although it seems more a question of sticking flags in maps at the moment than conducting a vast amount of business.

There are clearly great possibilities for western companies to help develop the distribution infrastructure in eastern Europe. For those with sufficient vision, patience and determination, an enormous and unprecedented business opportunity awaits.

Michael Terry on the prospect of a single European market

Chicken and egg argument

WITHOUT a satisfactory physical distribution system, it is difficult to imagine how the single European market can work.

Yet in contrast to their previously high hopes, managers of Europe's leading distribution contractors fear that they may not be in a position to set up pan-European logistics networks in time for the start of the market in 56 weeks' time.

Mainly they blame European legislators for being too slow in setting up the necessary legal framework. But they also claim that their future customers, the multinational manufacturers, are being slower than expected at putting in place their rationalised pan-European sourcing arrangements.

At the same time, in what has clearly become a "chicken and egg" argument, certain manufacturers are openly criticising the distributors for being ill prepared for the new opportunities.

"The slowness with which European legislation has so far been handled means it is unlikely that we will have the necessary framework for setting up the common standards of service, common procedures, common tariff structures and common communications systems that are essential to a truly pan-European distribution network," said Mr John Mr Brotherton, in charge of logistics and distribution at the LEP Group.

LEP is one of the world's largest transport groups, with freight forwarding, warehousing and road distribution operations in nearly 40 countries, including partnerships with Daimler Benz and Volkswagen for JIT parts distribution in Germany.

Mr Brotherton refers to Germany where the road transport market is still highly regulated and, in his view, likely to remain so for some years to come. He compares it with the fully deregulated regime in the UK and the partly deregulated one in France.

He points out that Europe is still a long way from agreeing harmonised arrangements for fuel and vehicle taxes. He criticises the new Alpine transit arrangements which he says allow unnecessarily strict restrictions on lorry movements between Germany and Italy.

"There are all sorts of complexities which we were promised would be removed by January 1, 1993, but which are not going to happen," he claimed.

"Meanwhile there are those of us who accepted the promises at face value and have spent lots of money trying to build up pan-European capabilities."

Mr Theo Weitenberg, managing director of Nedlloyd Districenters International, a subsidiary of the Royal Nedlloyd Group, felt that few manufacturers were yet organised for the single market.

"A lot of companies are still taking distribution decisions at a local, country, level rather than a European one. Furthermore I don't think there will ever be a distribution company who can have the whole of Europe in its working area, especially those smaller countries who are on the edge of Europe. A major constraint is setting up organisations and motivating people who have localised loyalties," he said.

Nedlloyd Districenters International specialises in common user warehousing and has 29 sites in Europe. It provides storage, order picking and delivery services for companies such as multinational computer manufacturers Digital, IBM and German department store Kaufhalle.

Next January, it opens a dedicated warehouse for IBM at Amsterdam to carry out European deliveries of computers, including localised customising of the product.

Exel Logistics, the distribution arm of Britain's employee-owned NFC group, has a five-year plan to become a leading European logistics company. The plan is to offer dedicated warehousing solutions to manufacturers and retailers, both food and non-food, through acquiring the management, expertise and customers of local companies.

It first entered Europe by managing a centralised distribution service for Marks and Spencer's store in Paris. It uses local hauliers to carry out the deliveries.

Now it has acquired companies in Spain, Germany, France and Holland at a total cost of £25m. In the past year it has put forward some 20 proposals to would-be clients.

Mr Mark Bedeman, in charge of European development at Exel, agreed that the regulatory framework for the distribution industry would not be in place by the end of next year. "We don't see January 1 1993 as a deadline so much as a station along the route," he said.

Mr Bill Shiplee, managing director of United Transport Logistics Europe, has spent the past two years engaged in what amounts to a commercial act of faith.

From company headquarters in Paris he and his sales team have been trying to spread the gospel of pan-European logistics to sceptical, multinational industrial conglomerates.

"We're still talking with the same people who a year ago had begun to look at material flows. Very little has happened since then. Our customers admit that it's taking longer than they expected to get pan-European systems in place and decide on the relationship between corporate direction and local interest," he says.

Mr Shiplee admits to not being paid for the time taken to develop and present proposals to the likes of BP Chemicals, Neste, Dow Chemicals and Fischer Price.

"Most of these people are existing customers in other areas and we are trying to extend our services to help them with solutions," he said.

"They are asking how they should be structuring their European operations; how they should be distributing to their European customers; how they should be servicing various businesses and whether they should be holding stock."

Mr Ted Burnside, international technical manager for Reckitt & Colman, claimed that the distribution industry was not yet geared up for pan-European services.

His complaints resulted from a search for a distributor to support Reckitt & Colman's restructured manufacturing system.

"Few if any hauliers had the organisation to allow them to treat our contract as a total concept. They were organised along national lines with each national business responsible for its profit. With Reckitt & Colman it was the total profitability, not the individual route, which was important," he said.

The author is editor of European Freight Management, a Financial Times newsletter.

Eagle Star

In the FT survey on courier and express services, which appeared on July 24 1991, reference was wrongly made to Eagle Star Express. The reference should have been to Eagle Express, which has no connection with the Eagle Star group.

Concorde courier – for a day

AS we descended from 56,000ft and the golden rows of Manhattan's twinkling street lights emerged from the darkness, Concorde flight BA003 was 10 minutes ahead of schedule for landing at New York's Kennedy Airport, writes Michael Terry.

It was good news for the American banks, credit companies and commercial organisations whose paperwork for thousands of dollars of European cash transactions had been put in my personal care for the past 3½ hours.

Because of the Concorde phenomenon of arriving in New York some 1½ hours – local time – before the take-off from London, the British Airways Speedbird courier service would comfortably meet its daily commitment to same-day deliveries to New York offices before they close.

And because extremely high interest rates and cash flows valued at millions of dollars are involved, the airport-to-airport service has become critical for transatlantic commerce.

Customs clearance at JFK, clearly explained in BA's instruction note, was straightforward. A representative from the New York Air Courier Company (NYACC), licensed by the US Customs Service to handle customs clearance on behalf of courier services, was at the prearranged rendezvous just beyond passport control. On completion of clearance, he alerts the local courier companies that the goods are ready for collection.

The NYACC agent took the pouch of customs documents for the 24 sacks of shipments that had been stowed in the aircraft hold in my name and in a separate building checked the consignments were all present and correct.

Fifteen minutes later, he handed back the customs clearance document for me to present to the customs inspector. If the inspector had wanted to check the load, he would have had to do so in my presence.

By being "accompanied", commercial consignments in the care of a courier – about 65 per cent are documents – are treated by customs as if they are personal baggage. It is far quicker than normal air freight formalities.

■ WAREHOUSING

Technological revolution

IN recent years, businesses have become increasingly aware of the cost factor involved in distributing their goods. Recent surveys indicate that between 25 per cent and 30 per cent of a company's profits can be associated with logistics, be it warehousing, transport or some other element in the total supply chain.

Because of this, many companies are currently reviewing their logistic systems with a view to making them more efficient and cost effective. One important part of this review is the warehouse.

The image of the traditional warehouse, where a mass of components are stored in a disorganised manner and retrieving them is a protracted process, is long gone. The warehouse has been hit by a technology revolution which has completely changed the efficiency and operating patterns.

In reviewing their logistics systems, companies find that one of the vital factors highlighted is that the supply chain must include efficient warehouse operations. This generally warrants a sizeable investment in information technology so that as goods are sold off the shelf at one end of the chain the request for more stock is automatically passed to the warehouse and on to the manufacturing plant to ensure a constant supply of products, especially if a "Just-in-time" (Jit) system is being worked.

A Jit system does not necessarily imply speed but just a regular flow of parts to the manufacturing line on a pre-determined basis. To achieve this an efficient communications package linking all parts of the chain is crucial. The warehouse is the hub of such a system. A failure is often costly and very time consuming.

However, such is the pace of technological advancement in this area that the facility can rapidly become out of date. A recent survey among logistics operating managers revealed that 27 per cent of warehouses were considered to be out of date within two years of opening and 50 per cent after four years of operating.

The revolution in warehouse operation started in the mid-1960s when the first automated storage and retrieval machine was installed. This operated from rails fixed to the top of the storage rack and was equipped with twin hanging masts which had a pair of forks to handle the pallet unit load. Since that time more than 1,000 automated warehouses have come on stream throughout Europe.

In an automated warehouse, the movement of products into the storage area, their positioning and subsequent retrieval is performed by mechanical devices which are controlled by electrical processors. Warehouse automation is less sophisticated and aims to combine manual input with automation such as through the use of fork lift trucks to move goods rather than them being pushed or pulled by hand.

Apart from the actual building and interior racking which are common to both types of facility, the automated warehouse can include an impressive, and costly, range of equipment including automated guided vehicles, picking carousels, sorting devices, conveyors and stacking cranes.

The strategy for any warehouse must be based on efficient operation. The investment may be substantial but it should reduce manpower to a minimum and help to optimising storage capacity and providing a high throughput.

Such an operating pattern is essential for a facility such as a retail outlet's central distribution facility where the objective is to minimise the time between the product arriving at the distribution centre and leaving the shelf in the customer's shopping bag.

Retailers do not want the burden of heavy inventory costs although a distribution centre servicing a number of stores in one region owned by a chain retailer will inevitably have to accommodate a range of fast-moving lines as well as some slower moving ones. Overall, the objective is to retain stock in the warehouse for the shortest time possible.

In the UK, several of the leading retail chains, such as J. Sainsbury, Tesco and Waitrose, have contracted out their distribution requirements to specialist operators who, as part of the deal, will take over existing warehouses or provide a dedicated facility designed to meet the requirements of the particular customer.

Such facilities can serve as many as 15 or 20 stores with a total or particular range of goods. Within these dedicated contracts, the operator will collect goods from manufacturers, transport them to the central distribution facility, store until required and then despatch to the store when needed.

By comparison, such systems in Europe are rare and it is anticipated that under the single market there will be a move towards centralising distribution facilities.

In developing or reviewing their logistic requirements, companies need to carefully assess the level of automation within the warehouse as it must relate the cost involved to throughput and storage capacity but also leave a margin to allow a flexible response to changes in market conditions and consumer buying patterns. It must also fit in with the rest of the supply chain capacity unless the warehouse is being utilised for other purposes.

David Robinson

■ COURIER AND EXPRESS

Frantic developments

LEADING operators in Europe's struggling air express industry, said to be losing $500m a year, are frantically developing their courier services into global logistics and distribution systems.

By adding further value to their express delivery operations, they are seeking to escape the costly trap of low charges which intense competition during the previous decade had forced upon them.

Managements from companies such as TNT, Federal Express, UPS and DHL are discussing with leading multinational enterprises ways in which they can tailor their express services to develop and enhance global supply lines between factories and with customers.

They are investing millions of pounds in warehouses, electronic data processing systems, aircraft and trucks in readiness for a business explosion they are predicting will be as dramatic as the early days of the courier express industry itself.

They have wholly-owned subsidiaries, joint ventures agreements or agency arrangements in all the leading west European countries.

"Eighty per cent of multinationals in Europe are looking to radically change their European logistics systems," said Mr Tony Heating, European logistics director for UPS, a company which has set up specialist logistic groups in each of its six global regions.

"All of us see this as the major market opportunity. It offers the big contracts we are all after. UPS has identified 300 companies in Europe with potential annual earnings for it of more than $1m each. It is currently negotiating with 55 of them."

Mr Heating would not name the companies, but it is thought likely they include IBM, Honeywell and Motorola; companies with which UPS already has courier contracts.

The express operators are only too aware that the current investments are taking place against a recessionary background where the 30 per cent growth rates of the 1980s have given way to a price war.

This summer's merger was aimed at offering an integrated International express delivery service

"Some of the biggest companies in this market are losing serious money. The main four integrators have invested $3bn-$4bn in Europe alone over the last three to four years," claimed Mr Paul Moorhouse, chief operating officer of TNT Express Worldwide, whose parent company announced a first-quarter loss for 1991-92 of A$150,000 ($119,000), albeit an improvement on the previous quarter's loss of A$69m.

"The industry needs to charge about 10 per cent more than it does at present in order to break even. We need to make profits in order to provide the best possible service."

This summer's merger of TNT's former Skypak, Mailfast and Express Europe divisions under the umbrella of TNT Express Worldwide was aimed at offering an integrated international express delivery service.

Already it dominates a niche market for emergency deliveries by air of automotive components for car assembly lines. It expects annually to fly some 6,000 tonnes of products, including gearboxes, transmissions, axles, door panels and even foam rubber, across Europe for Ford, General Motors and Volvo.

Mr Moorhouse said TNT had contracts for supply chain management with more than 50 multinationals engaged in the manufacture of pharmaceuticals and medical and high-tech equipment, including contracts between Asia and Europe.

This summer, UPS, the last of the express delivery operators to enter Europe and the holder of an 8 per cent share of the European market, has now opened a bonded European distribution warehouse on the outskirts of Amsterdam for Poqet Computers, part of Fujitsu. The dedicated unit is manned by UPS which operates a computerised inventory control system that electronically receives orders and product shipment data from Poqet's headquarters in Santa Clara, California.

Completed units are flown into Schiphol airport by UPS which arranges European distribution to customers, half by air and half by road.

According to Mr Chris Hing, marketing director of DHL UK, one strength of the express operators – integrators as they are now known – is that they own aircraft, trucks and vans rather than contracting out. It gives flexibility and ensures reliability, he said.

By persuading clothes manufacturer Coats Viyella's branded menswear division to switch to air express, DHL has been able to reduce transit times by more than 50 per cent for shirt fabric samples imported from east Asia.

It gives the Coats Viyella salesforce extra time to sell to retailers ahead of production and enables the factory to accurately deploy the workforce and pre-schedule machinery rotas.

To ensure reliability, Fedex Business Logistics prefers to make use of the 400 aircraft and 35,000 road vehicles which Federal Express, its parent company, owns worldwide.

Business Logistics' latest addition to its growing European parts bank operation is a common user warehouse facility at Amsterdam. The operation allows manufacturers to store spare parts locally for speedy call-up either for assembly-line use or delivery to customers. Clients include medical equipment supplier Varion and mainframe supplier Cray Computers.

UPU, the United Nations world grouping of postal authorities, is defending its corner

In Britain it has begun to operate a dedicated warehouse and distribution system for Sanyo's brown consumer goods products.

Meanwhile as the express industry concentrates its efforts on developing its logistics capabilities, controversy continues to surround its initial *raison d'être*: express delivery of documents and parcels.

At a time when the industry has been taking a defensively firm line in its submissions to the European Commission's much delayed green paper on postal monopolies, it was caught unawares by TNT's sudden announcement last July of the intention to form an international courier-express joint venture with five postal authorities.

The post offices joining the GD Net holding company are those of Germany, France, the Netherlands, Sweden and Canada. The Commission is now vetting the plan for its implications to the free market. Competitors, who claim the move was aimed at helping TNT fill empty aircraft, doubt whether the scheme will meet its planned start date of next January.

UPU, the United Nations world grouping of postal authorities, is defending its corner energetically on the grounds that the proposed new enterprise will cream off the profitable traffic and leave the postal administrations with only loss-making business.

However, the word is that several other administrations are considering the idea although they are said to be fearful of reprisals by other UPU members.

But TNT's choice of bed mates is especially interesting. One of them, the German Post Office, has in the past taken legal action against TNT. France and the Netherlands are currently at the receiving end of litigation to which TNT is said to be party.

Michael Terry

Phillip Hastings takes a look at developments in the air cargo industry

A tough year for traditional operators

TRADE recession in the main markets, additional security requirements and growing competition from express companies have all made 1991 a tough year for traditional air cargo service operators such as airlines and forwarders.

On the trade front, for example, airline cargo traffic in the important transatlantic market noticeably failed to pick up as expected after its usual summer season decline. Even the previously buoyant Japan-Europe airfreight market has recently seen airline cargo volumes down by 25-30 per cent.

Airfreight forwarders have been equally hard hit. "Recession has made our market even more intensively competitive," says Mr Roger Curry, president and chief executive officer of US-based forwarder Emery Worldwide. "There is no balance between the value of the service we provide and the price people are paying for that service."

Meanwhile, the air cargo industry as a whole has been under strong pressure to tighten up security. The UK Department of Transport, for example, has issued several circulars on the subject. As a result, airlines have had to invest heavily in new security equipment and systems, while forwarders have had to reorganise their cargo-handling procedures.

Adding to the problems of both airlines and forwarders is the increasing competition for traditional air cargo business from express companies such as TNT, Federal Express, DHL and United Parcel Service. In many cases, the express companies now use their own aircraft. UPS, for example, has just introduced a five-times-a-week DC8 freighter operation between Stansted, England and Newark in the US.

However, even with the increased competition and other problems, leading airlines are still continuing to increase their air cargo business. British Airways, for example, last month announced that cargo revenues for the half-year April-September 1991 rose by 2 per cent on the same six months of 1990, to just on £200m.

A key factor for airlines seeking to develop a role in current and future distribution chain activities will be their ability to provide a fast, reliable electronic exchange of information, both between each other and with shippers.

In that context, the airline cargo industry is increasingly concentrating on the development of community systems, particularly of a "neutral" kind, which can be used by a broad range of parties worldwide and also interface with other systems in a true EDI (electronic data interchange) manner.

Mr Lew Llewellyn, senior manager commercial services for BA Cargo, makes the point that it is no longer sufficient for airlines simply to service core airport-to-airport cargo business over a closed international communications network.

"These systems will have to be replaced using the very latest technology. That will enable an airline to provide the openness that EDI will demand with the sort of "pipeline visibility" that the customer will expect, and have more of a focus on distribution. Systems will need to be easy to use, very flexible and above all, cost effective," he says.

One of BA Cargo's answers to those requirements is Carat (Cargo Agents Reservations Air waybill issuance and Tracking system). The system is already on line at some 90 forwarding company locations in the UK. Now, in conjunction with electronics industry company Ferranti and Dutch airline KLM, BA has developed a facility which will enable forwarders all over the world to dial up the Carat system.

Neutrality is very much to the fore in the thinking of Swiss airline Swissair which has developed a cargo industry electronic information network known as CCS-CH (Cargo Community System Switzerland). The system, which is a pilot project for Iata (International Air Transport Association), should become fully operational next spring.

"CCS-CH is a neutral air cargo system which will be available to all parties, including forwarders, airlines, postal authorities, customs and private customers," says Mr Robert Wagner, general manager marketing cargo and mail for Swissair.

To further highlight the "neutral" nature of the system, Swissair plans soon to transform the CCS-CH organisation into a limited company with a wide range of shareholders. Air France and Lufthansa of Germany have already moved in that direction with the establishment earlier this year of a company called GLS Europe (Global Logistics System) "to provide a link between partners in the logistics chain".

Airfreight forwarders, too, are investing heavily in new information technology. US-based Air Express International (AEI) says it is currently spending some $12m a year on the operation and development of its Logis (Logistics Information System) system.

AEI has established a two-way computer-to-computer link with BA to provide instant information about the status of its shipments anywhere on the carrier's global network. Similar links have since been put in place with United Airlines, Federal Express and KLM.

However, forwarders and airlines agree that in order to meet the increasingly sophisticated needs of distribution service users, their co-operation needs to be extended well beyond information technology links.

Mr Tom Stack, the vice-president and managing director of AEI (UK), says airlines should, for example, take a more business-like attitude towards rate increases. "In order that forwarders and shippers can plan ahead, we need to know impending airline rate increases two or three months in advance," he says.

Mr Stack says there will also be greater demand for service quality and he criticises his own industry, the forwarding sector, for sometimes lacking "proper measured standards". He says shippers should demand higher quality services from their forwarders. "The best forwarders will respond with the service levels needed and demand it from the airlines," he adds.

The pressure on the air cargo industry to improve service quality standards is also being seen in a number of other areas.

The cargo division of Virgin Atlantic Airways, for example, recently drew up a charter making ground-handling companies working for the airline accountable for the service levels they provided.

Explaining that move, Ms Jane Spanton, Virgin's director of cargo operations, comments: "Handling companies must realise that we as an airline aim to give 100 per cent service to our clients. That means that we, in turn, expect 100 per cent service and commitment from our handling companies."

■ POSTAL SERVICES

Stakes are high

PRIVATE couriers throughout the European Community are nervously awaiting the EC's green paper on the development of the single market for postal services.

The stakes are high for groups such as Federal Express of the US, the international courier DHL and the Australian-based delivery company TNT. They have spent millions of pounds to set up pan-European distribution networks; failure to secure liberalisation would end their hopes of capturing the increased business volumes needed to earn a return on investment.

In a submission to the European Commission, the European Express Organisation (EEO), an association of European private delivery services, says that liberalisation of postal services would lead to highly competitive private express and parcel delivery services.

There is some evidence to support this: in the more liberalised US, postal traffic grew 46 per cent from 1981 to 1988 and there is a postal service to every address in the country.

A few European post offices believe more competition is no bad thing. Britain and the Netherlands have already made changes ahead of the EC green paper, expected next month.

The Royal Mail is proposing to allow private couriers to use part of its service for the final delivery of letters in areas which they do not cover, such as remote villages. The Netherlands is trying to prise business away from more conservative countries by offering lower charges for bulk mail from the rest of Europe to destinations outside the EC.

However, most post offices, which together employ 1.25m people, are fighting to preserve the status quo. They fear wholesale reform threatens the continuation of a universal postal system guaranteeing regular deliveries to EC citizens in the outposts of the Community. Stripped of their monopoly rights in the more densely-populated areas, the post offices warn they could not afford to maintain services in remote regions.

Even advocates of reform – such as Dr Robert Albon, a senior lecturer in economics at the Australian National University who is visiting the University of Birmingham – agree that competition could adversely affect rural services by raising prices.

In a report for Aims for Industry, the UK industrial pressure group, he says urban householders would benefit at the expense of rural ones.

The battle between the private couriers and national post offices is reflected within the European Commission. Its telecommunications directorate, which is formally in charge of the green paper, has until recently supported the national post offices' main arguments against wholesale liberalisation.

However, Dr Pieter Weltevreden, director of telecommunications, last month told a Financial Times conference on postal services that the "application of the free market should be the norm". He said that some services should be regulated, but that their aims should be clearly defined.

With the competition directorate pressing for greater competition, the Commission's green paper is expected to require post offices to stop anti-competitive cross-subsidies. If a post office props up its parcels division, for example, by using revenue from its letters monopoly, it is clearly frustrating competition within that business by charging artificially low prices.

The Commission should address the problem

The Commission appears to have accepted arguments by some private operators that post office rules on cross-subsidy violate EC competition laws.

In the past, the Commission has not been afraid to tackle national post offices' anti-competitive measures by forcing member states such as Italy to lift restrictions on international couriers.

SFEI, the French private courier association, has complained that indirect subsidies of more than £150m from monopoly revenues have been given to Chronopost, its semi-state rival.

The Commission should address that problem by preventing the most obvious forms of cross-funding. The Commission also appears to have sided with private courier companies over their demands for a more liberal postal service within the Community.

It is expected to argue that the system of charging between national postal administrations for delivering each others' mail, known as terminal dues, should be reformed to reflect true costs. The Commission also appears to have sided with private courier companies over their demands for a more liberal postal service within the Community.

But the telecommunications directorate has ensured the final version will not be seen to back total liberalisation. As one EC official put it: "We are not in the business of allowing a private courier firm to cream off the most lucrative areas in the community."

Roland Rudd

FINANCIAL TIMES

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LONDON STOCK EXCHANGE

Erratic trade leaves shares steadier

By Terry Byland, UK Stock Market Editor

A RANGE of domestic and international uncertainties was reflected in an erratic performance by the UK stock market yesterday. Equities closed firmer on the day but UK analysts put little faith in share prices which moved with extreme volatility as investors responded to widespread uncertainty in global markets as well as to new problems on the home front. The cautious trend was emphasised by further stress on the UK corporate sector, underlined by developments at the Maxwell family companies and by concern ahead of tomorrow's meeting of the Bundesbank council to discuss German interest rates.

The lead from the FT-SE futures contract had considerable effect on a stock market which opened 22 Footsie points higher and then plunged a net 18 down before rallying smartly as Wall Street opened inoffensively to show a 4.70 dip in UK trading hours.

The final reading put the FT-SE Index at 2,420.2, a net gain on the day of 5.3 points. The Footsie 2,420 level is regarded as important by many analysts. Mr Richard Lake, chart specialist at Hoare Govett, the London securities house, warned yesterday that, with Footsie 2,400 broken twice this week, a "medium-term target" of 2,250 becomes "increasingly more likely".

Mr Nicholas Knight, who has taken an increasingly bearish view at Nomura Research Institute, said that "further sharp falls must be anticipated", and the market is unlikely to find genuine support until at least 2,300.

However, early trading saw the market bounce successfully at Footsie 2,396.9, raising hopes that the 2,400 mark may yet prove a support level.

The early strength of the UK market was easily justified in terms of the recovery of 40.7 on the Dow Industrial Average overnight, backed up by a firmer trend in Tokyo. With sterling still steady, the stage was set for a rally in the equity market as bear closers continued to buy stock in London.

But the initial buying came mostly from the market making houses and was fuelled by a strong rise in the FT-SE futures contract. Euphoria was quickly undermined by trading results from Trafalgar House, the construction conglomerate, where the board raised doubts about the interim dividend.

The outlook for dividend payments is particularly significant at present for a UK stock market which is in part supported by dividend yield considerations. The building and construction sector, already hurt by last week's bad news from Y.J. Lovell, the housebuilder, was adversely affected by Trafalgar's statement.

Sellers returned immediately and, with the bear closers out of the way, the market fell swiftly. Traders said that there were still substantial selling orders in the wings. The downturn was strengthened by weakness in the stock index futures market where the premium on the December contract was eroded rapidly.

Genuine investment interest in equities remained fairly uninspiring, however, fuelling concerns that there may be further staff cutbacks at stock market firms before Christmas. Seaq volume totalled 464.7m shares yesterday, against 400.6m in the previous session. Stock Exchange data confirmed that retail, or customer business, continues to fall below the £1bn daily figure regarded as the minimum for a healthy London-based securities industry.

Account Dealing Dates		
*First Dealings:		
Nov 25	Dec 9	Dec 30
Option Declarations:		
Dec 5	Dec 23	Jan 9
Last Dealings:		
Dec 6	Dec 27	Jan 10
Account Day:		
Dec 16	Jan 6	Jan 20

*New-time dealings may take place from 8.30 am two business days earlier.

Trafalgar House tumbles

FEARS that Trafalgar House, one of the market's most favoured yield stocks, may cut its interim dividend sent the share price tumbling yesterday in its biggest one-day setback since the market crash of 1987.

The full-year figures, down 19 per cent at £122.4m, were in line with market expectations and it was the accompanying statement from the chairman that prompted the share slide.

He said: "The timing and strength of any prospective economic recovery and the level of advance corporation tax write-off will figure on the board's consideration of the level of interim dividend."

Dealers, supported by analysts' advice that the statement signalled a dividend warning, rushed to sell the shares and at the day's worst the stock was down 33 at 170p. Nerves later steadied and the shares closed a net 26 down at 177p on turnover of 14m.

Mr James Ritchie at UBS Phillips & Drew said the chairman's statement signalled a dividend cut, adding that "the market is in no mood to take on uncertainty".

He downgraded profits and dividend expectations for the following year. UBS now expects full-year profits of £160m, against its previous estimate of £185m, and forecasts a dividend almost halved to 9.5p.

In sympathy with Trafalgar, P & O, having fallen 29 to 392p, rallied to finish a net 11 off at 410p on turnover of 3.6m.

Ultramar drops

Lasmo's increased bid for Ultramar, in the form of a shift in the terms of a straight share swap or a shares plus cash offer, did no more than trigger a substantial retreat in both share prices after an initial bout of indecision.

Ultramar dropped 30 to 290p on exceptionally heavy turnover of 7.2m, while Lasmo weakened 14 to 262p on almost 8m traded, with dealers saying the bid situation was finely balanced.

Specialists said the oil sector was in disarray after the altered terms from Lasmo. The latter's share price was said by dealers to have reflected the fact that the company could suffer if the bid succeeds or not. "The company needs to expand to succeed, which says its previous philosophy has failed, but if the bid is unsuccessful then there are fears it will launch another, possibly dilutive bid."

They also pointed to Ultramar's dismal performance, and said that if no other bidder emerges then Lasmo shares would fall even further, along with other oil shares as asset valuations were reduced.

Glaxo advances

UK dealers were active in Glaxo following recent good news, hopes of more to come, and strong buying in the US. The shares held up against the morning drop in the FT-SE Index and closed 30 ahead at 809p. The rise represents more than 6½ points on the Footsie.

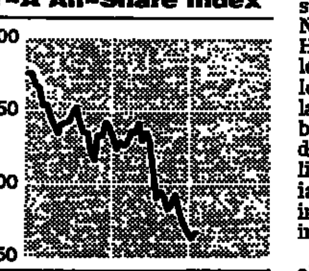
The stock was marked up sharply at the start of trading after strong buying in the US. It stood at 797p at the official opening but was held back for some time by a line of 1.2m shares taken on at 780p by one securities house. The placing of those shares, and the start of the new Wall Street session, prompted a further rally and led to total turnover of 6.7m, heavy for the stock.

Observers said the shares, which have doubled since early January, were responding to approval in Italy for Glaxo's anti-migraine drug Imigran, and enthusiastic comment in the US. They also benefited from optimism over the company's anti-ulcer drug Zantac ahead of its annual research and development presentation to analysts next Monday.

However, some analysts are beginning to voice doubts. Nomura Research argues that Glaxo's present rating "leaves little room for doubt or disappointment on Zantac", and it has a sell stance on the pharmaceutical group.

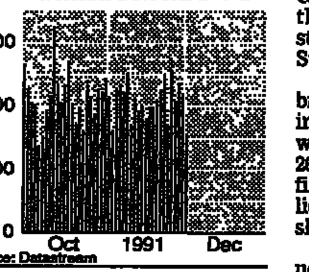
Sliding metal prices and worries about their effect on the UK's leading mining/metals groups triggered big falls in RTZ and Lonrho, among the world's biggest metal mining companies.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream

Lonrho was among the weakest performers in the Footsie, dropping 20 to 200p, amid reports that a leading agency broker was talking the shares lower after steep falls in specialist metal prices. Turnover in Lonrho was a heavier than usual 5.2m. The big fall in Lonrho also impacted on RTZ shares, which retreated 13 to 493p on turnover of 2m.

Worries about the Maxwell empire's debts and the huge problems of debts and bankruptcies facing the high street banks caused another flurry of selling in the banking sector.

NatWest, said to have the biggest exposure to the Maxwell empire, was the most heavily traded stock and the shares receded 10 to 275p on 5.9m, while Barclays declined 7 to 356p on 4.1m and Midland 3 to 205p.

Lloyds, in spite of the bank's relatively large exposure to the Maxwell group, performed exceptionally well, closing unchanged at 364p, having fallen to 355p early on.

Switching from the high street banks benefited Abbey National, which rose 6 to 275p. However, TSB remained friendless, easing 2½ to 117½p, the lowest level since September last year. It was still depressed by the poor profits outlook and disappointment that the link-up with Cariplo, the Italian savings bank, did not involve the Italian bank buying a share stake in TSB.

Standard Chartered forged ahead 17 to 407p following heavy buying by Paribas, the French-owned stockbroker, and support from Hoare Govett. The UK broker is thought to have published a strong buy recommendation on Standard yesterday.

Royal Insurance bore the brunt of some large-scale selling of the composite insurers, with the shares closing 4 off at 263p, the lowest level for over five years. Guardian Royal rallied 4 to 140p with a hefty 5.7m shares traded.

SmithKline Beecham continued to gain ground on news of its new anti-ulcer drug and added 20 at 789p. Sentiment was also helped by the imminent listing of the shares in Tokyo.

A number of securities houses took the red pencil to their profits estimates for ICI following the forecast cut by Smith New Court on Monday and gloom emanating from German chemical companies. The general drift in sentiment prompted the shares to slide 16 to 1186p, well below the price Hanson paid for its 2.8 per cent stake of 20m shares in the company.

Among the houses to lower their figures was Nikko Europe, which reduced its 1991 estimate by £25m to £875m and that for 1992 by £100m to £1.1bn.

Suggestions of imminent asset sales, after the recent series of visits by oil sector analysts, saw Burmah Castrol dip 8 to 533p, while worries about the non-appearance of counter-bidders for Ultramar had an unsettling effect on other oil issues such as Enterprise, which fell 13 to 488p.

High street retailer W.H. Smith celebrated its official entry into the Footsie list of 100 top shares by moving up strongly to close 14½ higher at 469½p. The launch by Reuters yesterday of a Japanese-language news and information service for the money and capital markets was received well by the market and the shares strengthened 9 to 902p.

Hanson hovered in front of full-year results scheduled for today, closing just a penny off at 197p after 8.6m shares traded. Analysts are expecting the conglomerate to announce a profit in excess of £1.3bn but are concentrating on the statement.

A positive message from Yorkshire Chemicals at a lunch for institutional investors helped the shares to jump 32 to 573p.

Interim profits above market expectations benefited Allied Colloids and the shares gained 14 to 180p.

Bass eased 4 to 923p ahead of full-year results due today. Analysts are expecting profits to be in the region of £480m to £510m but there are fears over possible provisions for bad debts.

Granada Group receded 5 to 175p ahead of next week's full-year results, while there was continued weakness in Rank Organisation, which fell 18 to 601p in busy trading of 1.3m.

The troubled Brent Walker Group slipped a penny to 15½p as the leisure company predicted a "substantial" loss for its full year.

Profit-taking continued for a second day in Airtours, the high-flying package holiday group, which closed 25 down at 880p.

Heavy trading in British Land left the stock a penny easier at 280p. Other property issues did not fare so lightly.

MARKET REPORTERS:
Peter John, Joel Kibazo, Christopher Price, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 24.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (18).
AMERICANS (1) Houston Inds., CANADIANS (2) Bank of Montreal, Bank of Nova Scotia. BUSINESS SERVICES (1) Inchcape, CHEMICALS (1) Yorkshire, ELECTRONICS (2) Borland, Druck, FOOD MANUFACTURING (1) Borthwicks, MEDIA (1) LWT 3.9375p Pfd., OIL & GAS (1) Ohio Res., PACKAGING, PAPER & PRINTING (1) CMB Pckg., TEXTILES (1) Leeds, TRANSPORT (1) BAA. WATER (1) South Staffs., SOUTH AFRICANS (1) Tongaat-Hulett, MINES (1) Anglovaal.
NEW LOWS (94).
AMERICANS (3) IBM, TRINOVA, Texas Instrs., CANADIANS (2) Granges Expln., TVX Gold, Tern Pure Tech., BANKS (2) Anglo Irish, TSB, BUILDING MATERIALS (4) Ibstock Johnsen, Redland, Steetley, Ward Group, BUSINESS SERVICES (2) Gardner (DC), Penna, CONGLOMERATES (2) Harrisons & Crosfield, Trafalgar House A. CONTRACTING & CONSTRUCTION (14) AMEC, Do. 8.5p Prf., Bailey (Ben), Baris, Bryant, CALA, Countryside Props., Higgs & Hill, Laing (J), Do. A N/Vtg., Lilley, Lovell (YJ), Mowlem (J), Prowting, ELECTRICALS (1) BICC, ELECTRONICS (1) AB Elects., ENGINEERING GENERAL (2) Elliott (B), Simon, Utd. Scientific, FOOD MANUFACTURING (1) Grand Central, HOTELS & LEISURE (2) Sleepy Kids, Stakis, INSURANCE COMPOSITE (1) Royal Insce., INVESTMENT TRUSTS (3) Abtrust New Dawn Sers. B Wrrnts., Drayton Eng. & Intl. Wrrnts., French Prop., MEDIA (1) Black (A & C), METAL & METAL FORMING (1) Glynwed, MISCELLANEOUS (3) Bilston & Battersea, Christies Intl., Stonehill, MOTORS (2) European Motor, GKN, OIL & GAS (3) Enterprise, LASMO, Pict Pet., OTHER FINANCIAL (1) King & Shaxson, OTHER INDUSTRIAL MATERIALS (1) Nokia, PROPERTY (7) Bucknall, Greycoat, Gt. Portland, Chesterfield, Derwent Valley, MEPC, Mickdegate, TRANSPORT (2) P & O Dfd., Do. Wrrnts. '88-92, WATER (1) Anglian.

FINANCIAL TIMES STOCK INDICES

	Dec 3	Dec 2	Nov 29	Nov 28	Nov 27	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.98	85.90	86.04	85.70	85.76	82.58	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.84	95.78	95.68	95 47	95.44	90.13	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1836 3	1831.5	1840.1	1856.4	1887.9	1681.6	2108.3 (2/9)	1606.3 (16/1)	2108 3 (2/9/91)	49.4 (26/6/40)
Gold Mines	168.9	170.9	171.4	171.2	170 6	152 3	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2420.2	2414.9	2420.2	2428.6	2447.5	2146.3	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1101.90	1093.16	1107.23	1111.78	1114.19	-	1198 60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	5.03	5.06	5.04	5.01	4.98	5.72				
●Earning Yld %(full)	7 48	7.52	7.49	7.45	7.39	11.87				
●P/E Ratio(Net)(☆)	16.79	16.72	16.77	16.86	17 03	10.09				
SEAQ Bargns 4.45pm	23,570	23.180	23,237	20,304	21,996	22,457				
Equity Turnover(£m)†	-	837.93	970.56	985.33	978.32	955.60				
Equity Bargains†	-	22,434	22,185	19,856	20,772	21,029				
Shares Traded (ml)†	-	307.5	440.4	477 8	417.9	414.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ Nil 15.84

Ordinary Share Index, Hourly changes Day's High 1849.0 Day's Low 1816.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1849.0	1844.1	1831.4	1821.3	1826.5	1826.0	1826.6	1829 1	1834.2

FT-SE 100, Hourly changes Day's High 2436.9 Day's Low 2396 9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2436.9	2432.8	2417.9	2402.9	2408.5	2405 9	2407 8	2410.2	2418.6

FT-SE Eurotrack 200, Hourly changes Day's High 1102.74 Day's Low 1096 08

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1102.68	1101.30	1096.76	1096.39	1097.44	1098.86	1100.44

GILT EDGED ACTIVITY

Indices*	Dec 2	Nov 29
Gilt Edged Bargains	80.5	76.4
5-Day average	82.7	84.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
AOT	155	319	+6	Cookson	628	110	+1	Lucas	1,300	118	+1	Severn Trent Water	1,500	300	-4
ASDA Group	3,100	38		Courtaulds	241	475	+10	MB Caradon	1,000	247	+9	Shell Transport	3 200	485	
Abbey National	1,700	275	+6	Dalgety	341	371	-1	MEPC	942	432	-8	Siebe	111	463	
Albert Fisher	252	86		De La Rue	34	438		Manweb	65	293	-3	Slough Ests	112	231	-4
Allied-Lyons	1,200	580	-2	Dixons	1,600	216	+8	Marks & Spencer	5,300	280	+3	Smith (W H) A	817	469½	+14½
Amstrad	2,300	26½	+½	ECC Group	1,400	436	+3	Maxwell Comms	0	35		Smith & Nephew	4,200	134⅝	+1½
Anglian Water	898	390	-4	Eastern Elect	30	229		Midland Bank	3,400	305	-7	SmKl Beecham	2,200	789	+20
Argos	558	284	+2	East Midland Elect	215	335	-1	Midlands Elect	16	252		SmKl Beecham Uts	30	2535	+100
Argyll Group	4,100	286	-2	Enterprise Oil	1,300	488	-13	NFC	668	213	+1	Smiths Inds	23	248	+3
Arjo Wiggins	2,200	267	+4	Eurotunnel Units	550	378	-2	NatWest Bank	5,900	275	-10	Southern Elect	20	244	
[illegible]				[illegible]				[illegible]				[illegible]			
British Gas	4,600	242		Hillsdown	3,100	169	+2	Rentokil	160	385	+18	Unigate	277	286	-1
British Land	1,300	280	-1	IMI	404	217	+4	Reuters	988	902	+9	Unilever	831	929	+4
BP	8,700	301	-3	ICI	1,200	1186	-16	Rolls Royce	3,900	123	+2	United Biscuits	664	375	+1
British Steel	5,500	78½		Inchcape	2,000	404	+6	Rothmans	622	1044	+2	Utd. Newspapers	387	380	+7
British Telecom	5,000	349	-1	Kingfisher	887	494	+2	Ryl Bk Scotland	1,500	186		Vodafone	3,800	354	+1
Bunzl	89	79		Ladbroke	4,100	237	+1	Royal Insurance	1,200	263	-4	Wellcome	971	842	+9
Burmah Castrol	295	533	-8	Land Securities	1,000	473	-8	Saatchi	3,500	12½	-¼	Welsh Water	296	345	-4
Burton	3,900	37½	-1	Laporte	1,200	601	+8	Sainsbury	2,000	343		Wessex Water	156	380	-4
Cable & Wire	3,000	542	-4	Legal & General	791	364		Scottish & New.	524	397	-2	Whitbread 'A'	1,000	423	+2
Cadburys	907	400	-1	Lloyds Abbey	326	349	+3	Scot. Hydro-Elect.	2,900	102	+1	Williams Hldgs.	1,000	300	-1
Calor Group	172	235	+1	Lloyds Bank	2,200	364		Scottish Power	3,000	101	+½	Willis Corroon	712	248	+2
Carlton Comms.	1,000	451	-18	LASMO	2,900	262	-14	Sears	3,700	86	-2	Wimpey	1,000	125	-5
Coats Viyella	399	168	+2	London Elect.	399	238	-1	Sedgwick	1,000	215	+5	Yorkshire Elect.	64	280	-1
Comm Union	299	441	+8	Lonrho	6,000	200	-20	Seeboard	344	252	-1	Yorkshire Water	683	360	-5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

FOOTSIE futures saw volatile trading as dealers speculated about the outcome of tomorrow's Bundesbank meeting on German interest rates, writes Joel Kibazo.

The December contract opened firmly, taking its cue from a positive performance on Wall Street, and soon rose to a healthy premium to cash. Traders said the early rise proved unsustainable and independent dealers led the contract lower. It fell from the day's high of 2553 to 2412. Support was seen at these lower levels early in the afternoon and December bounced, encouraged by a firm gilt futures market.

Volume was boosted by dealers rolling out of December into the March contract. December closed at 2434, about 3 points above its estimated fair value premium to cash of 11. Turnover reached 9,693 further helped by a spate of bear closing toward the end of the session.

On LTOM, traders reported a quiet session with volume down to 23,701. Amstrad was the busiest stock option. It traded 1,013 contracts with the March 35 puts attracting the most interest.

Midland Bank, Hanson and Trafalgar House, which was active in the equity market, were also busy.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8pc 1991		99⅜xd	—	99[illegible]	98[illegible]	8.02	10.72
12¾pc 1992‡‡		100[illegible]	—	101½	100[illegible]	12.72	10.23
10pc 1992		99[illegible]	—	100[illegible]	97[illegible]	10.02	10.40
2pc IL 1992‡‡		134[illegible]	—	134[illegible]	125[illegible]	2.04	8.20
8pc 1992 ‡‡		99[illegible]	-[illegible]	99¼	95[illegible]	8.07	10.29
10½pc Cv 1992‡‡		100[illegible]	—	100[illegible]	98½	10.49	[illegible]
3pc 1992		97¼xd	—	97[illegible]	91[illegible]	3.08	[illegible]
Exch 12¼pc 1992		101[illegible]	-[illegible]	102[illegible]	100⅝	12.09	[illegible]
13½pc 1992		102[illegible]	—	104⅛	102[illegible]	13.18	[illegible]
Treas 8¼pc 1993		98	-[illegible]	98[illegible]	94	8.42	[illegible]
10pc 1993‡‡		99[illegible]	-[illegible]	100¾	97[illegible]	10.01	[illegible]
12½pc 1993‡‡		103[illegible]	-[illegible]	104¼	102[illegible]	12.08	[illegible]
Funding 6pc 1993‡‡		94[illegible]	—	95¼	89[illegible]	6.32	[illegible]
Treas 13¾pc 1993‡‡		106[illegible]xd	-[illegible]	108[illegible]	105[illegible]	12.92	[illegible]
8½pc 1994		97[illegible]	-[illegible]	97[illegible]	92[illegible]	8.78	[illegible]
14½pc 1994‡‡		108[illegible]	-[illegible]	111[illegible]	108[illegible]	13.35	[illegible]
Exch 13½pc 1994		107[illegible]	-[illegible]	109	105[illegible]	12.61	[illegible]
Treas 10pc Ln 1994‡‡		100[illegible]xd	-[illegible]	101[illegible]	96[illegible]	9.99	[illegible]
Exch 12½pc 1994		105½	-[illegible]	107⅛	103[illegible]	11.85	[illegible]
Treas 9pc 1994‡‡		97[illegible]	-[illegible]	98[illegible]	93[illegible]	9.22	[illegible]
12pc 1995		105[illegible]	-[illegible]	106[illegible]	102[illegible]	11.42	[illegible]
Exch 3pc Gas 90-95		88¼		89	82¼	3.40	[illegible]
10¼pc 1995		100[illegible]	-[illegible]	102[illegible]	96[illegible]	10.19	[illegible]
Treas 12¾pc 1995‡‡		108[illegible]	-[illegible]	110[illegible]	105[illegible]	11.74	[illegible]
14pc 1996		112[illegible]		114[illegible]	109[illegible]	12.47	[illegible]
9pc 1992-96‡‡		98[illegible]	-[illegible]	99[illegible]	92[illegible]	9.18	[illegible]
15¼pc 1996‡‡		117[illegible]	+[illegible]	119[illegible]	115[illegible]	12.99	[illegible]
Exch 13¼pc 1996‡‡		110[illegible]	-[illegible]	112[illegible]	106	11.97	[illegible]
Conversion 10pc 1996		100⅛	-[illegible]	101[illegible]	95[illegible]	9.99	[illegible]
Five to Fifteen Years							
Treas 13¼pc 1997‡‡		111⅞	-[illegible]	114[illegible]	108[illegible]	11.84	10.18
Exch 10½pc 1997		101⅞	-[illegible]	103[illegible]	97¼	10.31	9.96
Treas 8¾pc 1997‡‡		94[illegible]	—	96[illegible]	89[illegible]	9.22	9.89
Exch 15pc 1997		120[illegible]	-[illegible]	123[illegible]	117	12.45	10.26
9¾pc 1998		98¾	—	100[illegible]	93[illegible]	9.87	9.93
Treas 6¾pc 1995-98‡‡		87[illegible]	+⅛	88[illegible]	80⅝	7.71	9.36

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
15½pc '98‡‡		125⅝	-[illegible]	128⅞	121¾	12.34	10.16
Exch 12pc 1998		109⅜	+[illegible]	111[illegible]	104⅜	10.97	10.09
Treas 9½pc 1999‡‡		98[illegible]	+[illegible]	100[illegible]	92[illegible]	9.68	9.85
Exch 12¼pc 1999		110[illegible]	+[illegible]	113⅝	105[illegible]	11.05	10.11
Treas 10½pc 1999		102[illegible]	+[illegible]	104[illegible]	97[illegible]	10.24	9.99
Conversion 10¼pc 1999		101½	+[illegible]	103⅝	95[illegible]	10.10	9.97
[illegible]							
Exch 12pc '13-'17		121[illegible]xd	+[illegible]	125¼	113[illegible]	9.98	9.64
Undated							
Consols 4pc		40[illegible]	+[illegible]	41¾	37[illegible]	9.82	-
War Loan 3½pc‡‡		36⅛	+[illegible]	37[illegible]	33[illegible]	9.69	-
Conv 3½pc '61 Aft		59½	+[illegible]	60[illegible]	57¼	5.88	-
Treas 3pc '66 Aft		28¾xd	+[illegible]	30[illegible]	28¼	10.88	-
Consols 2½pc		25¼xd	+[illegible]	26[illegible]	23⅝	9.88	-
Treas. 2½pc		25	+[illegible]	26[illegible]	23[illegible]	10.00	-

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 high	1991 low	Yield (1)	Yield (2)
Index-Linked (b)							
Treas. 2pc '94	(102.9)	122⅞	-⅛	123¼	115[illegible]	2.65	3.70
2pc '96	(67.9)	177[illegible]	-⅛	177⅞	168[illegible]	3.43	3.99
2½pc '01	(78.3)	144⅛	-[illegible]	145⅞	137[illegible]	3.97	4.28
2½pc '03	(78.8)	189[illegible]	-[illegible]	141[illegible]	1.33	4.05	4.31
[illegible]							

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
[illegible]							
Int-Am Dev 12½pc 2003		112[illegible]	+[illegible]	116[illegible]	105[illegible]	11.09	10.48
9¾pc 2015		94	+[illegible]	97[illegible]	86[illegible]	10.37	10.43
Leeds 13½pc 2006		116	+½	119½	110½	11.69	11.27
Liverpool 3½pc Irred		30	—	31	28	11.67	-
LCC 3pc '20 Aft		27	—	27½	26	11.11	-
Manchester 11½pc 2007		102¾	+¼	105½	97½	11.27	11.12
Met. Wtr. 3pc 'B'		52	—	59	52	5.77	10.10
N'wide Anglia 3⅞pc 2021		106	—	106¼	102	-	5.41
4⅛pc IL 2024		105¾	-¼	107¾	104	-	5.16
Stn Rhod 87-92 Assd		68½	—	98½	84½	4.62	-
Utd Mex States 16½pc 2008		123	—	125	101	13.33	13.08

APPOINTMENTS

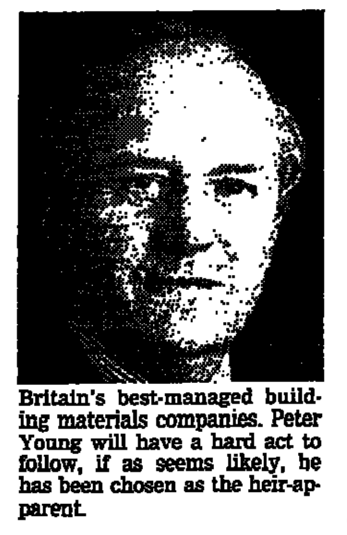
New generation readymixers

RMC GROUP, the world's biggest ready mixed concrete producer, has appointed Peter Young as group deputy managing director in a move which suggests that grooming the next generation of "readymixers" is well under way.

Like most of RMC's top executives, Young has spent the bulk of his career working with RMC. A 53-year-old civil engineer, he joined the group in 1961 and held posts in UK Readymix, sand and gravel, and the roadstone divisions. He was appointed to the board in 1977 as director of corporate planning and led the group's diversification into new areas such as the DIY retail business.

Since 1986 he has been responsible for several of RMC's overseas operations in countries like France and Spain, where the group has been successful and now is either number one or two in terms of readymixed concrete market share. He has also been responsible for the DIY and building products divisions in the UK.

RMC is renowned for its strong overseas businesses – over three quarters of its profits came from abroad in the first half of 1991 – and its depth of management. The 66-year-old John Camden, chairman since 1974, joined RMC in 1951, and his group managing director for the last six years, the 61-year-old Jim Owen, joined in 1954. These two men have been responsible for developing RMC into one of Britain's best-managed building materials companies. Peter Young will have a hard act to follow, if as seems likely, he has been chosen as the heir-apparent.



■ Paul Mirsky has been named chief executive of a new division at TATE & LYLE that amalgamates the UK business with sugar and related interests in continental Europe, Africa and the Pacific region. The UK operation had been headed by James Kerr Muir who announced his departure last week. Succeeding Mirsky as managing director of Tate & Lyle Sugars is John Walker, who had been md of United Molasses and Tate & Lyle International. Walker is replaced by Stuart Strathdee.

■ George Squair, who combines the role of chairman and chief executive at SEEBOARD, is to retire in September 1992. He will be succeeded as chairman by Sir Keith Stuart, a non-executive director of the company. Jim Ellis, the company's commercial director, becomes chief executive.

Sir Keith, will remain chairman of Associated British Ports, but will retire from the board of BAA.

■ Nigel Elwes has been elected executive chairman of REYKER SECURITIES when its founder Nicholas Freeman steps down at the end 1991.

■ KEMPER INVESTMENT MANAGEMENT has appointed David D'Orgee as marketing director. He joins from Henderson Administration International.

■ Christopher Hartley advances to vice chairman of DISCOUNT CORPORATION OF NEW YORK FUTURES in London.

Canadian at Wolff

Canadian resources group Noranda is strengthening the senior management team of RUDOLF WOLFF, its London-based commodity broker, by appointing Canadian Bill Harker, as managing director.

The Wolff family business was bought by Noranda in 1971, although several Wolffs have been active in the operation since. Francis Holford, who married into the family, has been managing director since 1976, as well as chairman since 1984. The 54-year-old Holford stays on as chairman.

David Bumstead, president of Noranda Sales Corporation in Toronto, said that as Wolff's business had expanded - including in the area of managed futures funds - and as the regulatory load on commodities brokers in London had increased, it was appropriate that senior management should be boosted.

Harker, who is 52 and started his career as an electronics engineer with IBM, comes from Royal Trust, Canada's largest trust bank, where he was managing partner. Although he has no direct experience of the futures business, he has been active in capital markets generally.

John Wolff, 50, who became chairman of the London Metal Exchange last year, retains his role as marketing director of Rudolf Wolff. Mr Holford said the company had "a good future" for him when the LME chairmanship came to an end.

Noranda reported a C$24m loss for the first 9 months of 1991. Wolff, by contrast, would make "a good contribution" to the group this year, it said.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1991 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs	33 11/16xd	+1 1/4	34 5/8	20 7/8	14,369	1.7
♥Allegheny & W	268p	+35	985p	218p	139.3	6.3
AmCast	705pxd	+2	19 1/8	667p	781.1	0.8
Amer Cyanamid	31 1/2	+1 3/16	42 1/2	25 3/8	2,947	2.7
Amer Express	10 3/8xd	+1/32	17 7/8	9 11/16	5,051	5.3
Amer T & T	20 7/16xd	-1/16	24 1/2	15 1/4	28,695	3.6
Ameritech	34 7/16	+7/8	38 7/8	32 1/2	15,078	5.5
BankAmerica	18 7/16xd	+1/16	26 1/16	12 5/16	4,088	3.7
Bankers NY	35 1/16xd	+1 3/8	38 1/16	20 1/16	2,874	7.8
Bell Atlantic	25 1/2xd	---	30 1/2	24 1/4	10,828	5.6
BellSouth	28 3/4	+1/2	31 1/4	25	12,974	5.8
♥Bethlehem Steel	6 1/8xd	+1/16	11 1/4	6 3/16	485.8	3.5
Bowater	1150p	+4	1839p	1046p	413.1	5.9
CPC	47xd	+1 1/2	54 15/16	37 11/16	3,552	2.4
California Engy	831p	---	930p	420p	151.3	–
Campbell Soup	44xd	+3/16	50	28 1/4	5,522	1.9
Chase Manhattan	8 11/16	+1/32	12 3/4	5 3/16	1,188	7.8
Chrysler	6 5/8xd	+1/8	9 3/16	5 1/2	1,899	5.1
Citicorp	6xd	+1/16	10 3/8	5 7/8	2,061	–
Colgate-Palm	24 3/16xd	+7/16	28 5/8	21 3/16	3,473	2.5
Cont'l Bank	480p	-5	928p	438p	485.1	7.0
Dana	14 13/16xd	+3/4	21 5/8	13 13/16	688.9	6.1
Data General	811p	+10	1282p	309p	223.8	–
Dial	24 7/8xd	-1/16	25 5/8	12 7/8	962.9	3.2
Dun & Brad	27 1/2	+1/2	29 5/8	20 3/4	4,989	4.4
Eaton	33	+1 1/8	40	24 1/4	1,121	3.7
Echlin	6 1/16xd	+3/8	8 1/2	5 1/2	340.2	6.5
FPL	19 5/8xd	+1/8	20 1/8	14 7/16	3,328	6.9
Fluor	21 1/4xd	+3/8	30 5/16	17 7/16	1,720	0.8
Ford Motor	13 3/4xd	+1/4	23 1/4	13 1/8	6,588	4.1
Gen Elect	37xd	+3/16	46 13/16	28 3/16	32,083	3.1
♥General Host	482p	+11	586p	270p	–	5.0
Gillette	24 7/8xd	+3/8	45 3/4	20 7/8	5,329	1.4
Hasbro	20	-1/4	20 7/8	794p	1,148	0.7
Honeywell	33 1/2xd	+3/16	38 1/2	21 3/4	2,358	2.8
Houston Inds	23 1/2	+3/16	23 1/2	17 7/8	3,829	7.1
IBM	52 1/16xd	-1/16	72 13/16	52 1/16	29,788	5.2
Ingersoll-Rand	24 13/16xd	-1/16	32 1/2	18 1/16	1,293	3.0
Lockheed	24 3/4xd	+3/16	28 1/8	16 3/8	1,567	4.5
Lowe's	1668p	+47	2155p	1245p	571.1	2.0
Man Hanover ♦	13 13/16xd	+3/16	18 7/8	9 1/2	1,858	13.3
Merrill Lynch	28 1/16xd	+1 1/16	32 7/8	10 1/16	2,819	2.0
Morgan (JP)	34 1/2xd	+3/4	38 1/4	21 1/2	6,518	3.2
Morris (Philip)	38 7/8xd	+3/4	44 1/4	25 1/16	35,991	3.0
NYNEX	42 3/4	+1/2	46 1/4	39	8,639	6.0
♥Pac Agric	28 1/2p	---	89p	15p	–	–
Pall h	28 7/8	+7/8	23 13/16	15 7/8	1,228	1.2
Pennzoil	32 3/4xd	-1/16	45 1/8	32	1,323	5.1
Quaker Oats	39 5/8xd	+1 1/16	40 1/2	24 7/8	3,030	2.4
Rockwell	14 13/16xd	+1/16	17 3/8	12 1/8	3,293	3.6
Rep NY	22 3/16	+1/16	27 11/16	16 1/2	1,173	2.5
Sears, Roebuck	20 3/16xd	+3/16	25 5/8	12 13/16	6,989	5.5
Sthwestern Bell	32 3/4xd	+3/4	34 1/2	25 5/8	9,818	4.9
Sun Co	15 1/8xd	---	20 1/4	14 5/16	1,683	6.8
Tenneco	18 3/4xd	---	27 1/8	18 3/16	2,296	4.8
Texaco	33 5/8xd	+3/16	40 1/2	29 5/8	8,886	5.3
Texas Instr	15 5/8xd	-1/32	26 1/8	15 1/16	1,275	2.6
Time Warner	47 13/16xd	+1 1/16	64 1/2	37 7/8	4,414	1.2
TRINOVA	8 13/16xd	-1/16	16 3/8	8 13/16	248.7	4.3
♥Unilab	669p	---	555p	250p	472.8	–
Utd Tech	26 3/16xd	-1/2	29 3/8	22 3/8	3,164	3.8
♥Unitech	66p	---	92p	42p	–	–
US West	19 5/8	+3/8	23	18 1/4	8,817	6.0
Varity	93p	-1/2	182p	87 7/8p	23.2	–
Waste Manage	21 3/8xd	+3/4	24 1/16	16 5/8	10,105	1.2
Whirlpool	1881p	+70	2346p	1053p	1,363	3.2
♥Woolworth	14 1/8	-1/8	20 3/16	13 1/2	1,842	4.3

CANADIANS

Notes	Price £	+ or -	1991 high	low	Mkt Cap £m	Yld Gr's
♥Abbot Energy	2p	-1 1/2	11p	2p	–	–
Amer Barrick	1430p	-14	1477p	953p	1,951	0.3
Bk Montreal	20 1/4	+1/2	20 1/4	13	2,417	5.3
Bk Nova Scot	1033pxd	+16	1033p	536p	2,882	4.9
♥BC Gas	808p	+12	882p	639p	–	3.8
BCE	23 1/2	+1/8	24	17 1/4	7,241	6.2
♥Brascan	928p	+2	18 1/2	647p	783.7	5.7
♥Breakwater	11 1/2p	-1 1/2	35p	9p	7.31	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1991 high	low	Yld Gr's	NAV	Dis or Pm(-)
■Sphere Inc.		29	—	39	19½	25.6	22.3	13.0
Zero Div Pf.		68½	+½	68½	58¾	—	—	—
Warrants		3	—	9½	3	—	—	—
Strata		146	—	154	104	1.2	177.0	17.5
Stratton		145	—	159	120	1.7	177.7	17.8
■TR City of Lon.		118¾	+1½	121¼	90	5.5	109.2	-1.0
■TR Euro Growth	s	94	—	104	78	1.4	95.2	1.1
Ptg Sub	s	55	—	59	40	2.4	—	—
■TR Far East Inc.		78xd	+1	94	59	7.2	91.3	14.5
Warrants		16	—	23	12	—	—	—
TR High Inc.	H	104	—	115	85	7.7	95.0	-8.3
Sub	g	34	—	35	24	5.9	—	—
■TR Pacific		66	—	92	49	0.5	79.6	17.1
■TR Prop		27½	+½	37	27	7.2	35.4	22.3
■TR Smaller		137½	+1½	155	98	3.5	148.6	7.8
■TR Technology	s	36	—	52	20	5.5	95.2	62.2
Stepped Pf.		89¾	-½	94½	70½	8.2	—	—
Zero Pf.		164½	—	166½	117½	—	—	—
■Temple Bar	†	252	+3	276	210	6.3	273.8	8.0
8pc 2002		£111½	—	£111½	£102½	8.4	—	—
Temple Em Mkts	as	164	—	173	92	0.5	164.2	0.1
Warrants		68	—	63	27	—	—	—
1pc Cv 2001		£162½	—	£167½	£90½	0.6	—	—
■Thornton Asian		58	—	72	55	1.1	69.1	16.0
Warrants		11	—	18	9	—	—	—
Thornton Pan Euro		27	—	31	25	4.3	30.4	11.0
Warrants		5	—	10	5	—	—	—
Throg Dual Inc.		181	—	190	93	11.6	—	—
Cap		338	—	369	260	—	649.1	47.9
■Throgmorton		48	+1½	84	45½	5.9	69.1	30.3
Warrants		16	—	26	15	—	—	—
Throg USM		104	—	119	81	4.7	126.4	17.6
Warrants		19	—	27	14	—	—	—
Tor Inc.		495	—	535	400	11.5	—	—
Cap		645	—	736	585	0.8	1077.7	40.2
[illegible]		[illegible]						

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MISCELLANEOUS - Cont.

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Notes	Price	+ or -	1991 high	low	Mkt Cap£m	Yld Gr's
[illegible]							
Oryx Gold S.		123	—	188	82	—	—
‡‡Ovoca Gold I£		11	—	23	10	0.77	—
Plateau		16	—	44	16	2.88	—
■RTZ		493	-13	605	404	4,915	5.3
♥Thorco Res		6½	—	11	3¼	—	—
✤Vizcaya		2½	—	18	2	1.34	—
♥Western & Pac CS		20	-3½	152	20	11.0	—
✤Young Grp		108	—	133	108	10.1	6.4

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✤ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other offical estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield includes a special payment. E Minimum tender price. F Yield based on prospectus or other offical estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other offical estimates for 1991. K Yield based on prospectus or other offical estimates for 1990. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other offical estimates for 1989-90. P Figures based on prospectus or other offical estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	113 9	113 9	120 8	-0.2	9.52
High Inc Equity	6	123 7	126 9xd	134.9	+0.1	6.30
Worldwide Bond	6	211.2	211.2xd	224 0	+0.6	6.70
Capital Growth						
American Growth	6	195 7	195.7	209.0	+3 8	1 07
Asian Pacific	6	117 9	117.9	126.0	-1.4	1.25
Assets & Earnings	6	172.7	172.7xd	184 7	-2.0	3 25
Capital Reserve Acc	0	110.5	110.5	110.6	....	6.86
Capital Reserve Inc	0	87.38	87.38	87.43	+0 02	6 86
Commty & Energy	6	73 21	73 21	78.29	+0.12	1.74
1992 Enterprise	6	62.67	62.67	67 02	+0.05	3.07
Euro Capital Acc.	6	82.62	82.62	88 36	+0 02	1.18
Euro Capital Inc.	6	78.93	78.93	84 41	+0.01	1.18
General	6	163 7	163.7	175 0	+0.7	2.86
Japan	6	91.63	92.71xd	98.62	-1.56	2.76
Mastertrust	6	86.82	86 82	92.85	+0 46	2.14
UK Growth Acc.	6	168 4	175 6	186.8	-0.2	2.17
UK Growth Dist	6	107 0	111.6xd	118.7	-0 1	2.17
US Emerging Cos.	6	72.10	73.33	78.01	+1.02	-
Income & Growth	6	283.2	283.2xd	302 8	+0.9	4 62
Ethical	6	52 46	53 75	57.18	+0.19	2.73
International	6	59.82	60 63	64 49	+0.53	1.36
Dividend & Growth	6	46.38	47.58	50 61	+0.09	5.93
Global Gwth & Sec	6	52 36	52.62	55.97	+0.19	3.11

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Small Cos.	0	1105 0	1105 0	1159 0	..	0

Abtrust Unit Trust Managers Ltd (1200)H

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 8111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Progressive Inc	5	17.51	17 51xd	18.48	-0.27	1 01
Progressive Acc	5	26 74	26.74	28.22	-0 42	1.01
International Inc	5	18.97	18.97	20 02	....	1.13
International Acc	5	25 74	25 74	27.17	....	1.13
Can & Foreign Inc	5	222.3	222.3	234 6	....	0.49
Can & Foreign Acc	5	265.7	265 7	280.4	....	0.40
Special Sits Inc	5	196.7	196.7	207.6	....	2.09
Special Sits Acc	5	213 6	213 6	225.4	....	2.09
PEP Inc	5	131.6	135.6	143.1	....	2.17
PEP Acc	5	140.5	144 8	152.8	....	2.17
Growth Inc	5	77.13	77.13	81 40	....	0.49
Growth Acc	5	77.92	77.92	82.24	....	0.49

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 071-236 6441

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dolphin Special Sits	5½	119.5	119.5	127.8	-1	3 45
Dolphin Dividend	5½	55.51	55.51	59.36	+0.46	6.46
Dolphin Int Inc & Gth	5½	151.7	151.7	162.2	+1.9	4.37
Dolphin UK & Gen	5½	34.26	34.40	36.79	+0.67	1.92
Dolphin Fund of Funds	5½	45 67	45 67	48.84	-2	1.31

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	73.98	75 24	80.47	+0.02	2.71
Do (Accum)	6	79.23	80.58	86 18	+0 02	2.71
Service Cos	6	64.55	64.55xd	69.03	-0.26	1 98
Do (Accum)	6	68.55	68.55	73.31	-0.26	1.98
Income Growth	6	38.52	38 52xd	41.20	-0.45	5.59
Do (Accum)	6	55.47	55 47	59.33	-0.64	5.59
Higher Yield	6	30.39	30.39	32.51	-0.17	4.90
Do (Accum)	6	38.93	38.93	41.64	-0.22	4.90
American Gth Inc	6	32 97	32 97	35 26	+0 49	1.08
Do (Accum)	6	33 60	33 60	35.93	+0.50	1 08
European Growth	6	23.87	23 87	25 53	+0.01	1.40
Do (Accum)	6	24 54	24.54	26.24	+0.01	1.40
Global Bond Inc	6	22.57	22.64xd	24.22	+0.06	6.03
Do (Accum)	6	26.78	26 87	28.74	+0.06	6 03
Managed P'folio Inc	6	24 68	24.75	26.47	+0 06	-
(Do Accum)	6	24.68	24.75	26.47	+0 06	-

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	103.5	108.9		–
Pension Managed Fd	100.7	106.0		–
Life Deposit Fd	111.0	116.8		–
Pension Deposit Fd	117.8	124.0		–

For National Fin see Target Life

	Bid Price	Offer Price	+ or -	Yield Gross
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	165.2	173.9		–
UK Equity	173.2	182.4		–
Overseas Equity	131.0	137.9		–
Fixed Interest	154.3	162.5		–
Property	132.9	139.9		–
Index Linked	152.1	160.2		–
Deposit	164.4	173.1		–
With Profits (B)	134.5	141.6		–

	Bid Price	Offer Price	+ or -	Yield Gross
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	342.0	360.0	+1.3	–
UK Equity	425.0	447.4	+0.6	–
Overseas Eq	328.8	346.2	+3.0	–
American	279.5	294.3	+1.7	–
Far East	351.1	369.6	+4.0	–
Property	194.3	204.6		–
Fixed Int	271.4	285.7		–
Indexed Gilt	160.8	169.3	-0.3	–
Deposit	188.2	198.2		–
With Profit	105.3	110.9	+0.1	–
Pension Fund (Accum Units)				
Managed	493.5	519.5	+1.9	–
UK Equity	577.2	607.6	+1.1	–
Overseas Eq	554.3	583.5	+5.1	–
American	351.0	369.5	+4.6	–
Far East	574.6	604.9	+6.4	–
Property	248.1	261.2		–
Fixed Int	337.5	355.3	-0.2	–
Indexed Gilt	175.4	184.7	-0.4	–
Deposit	267.1	281.2	+0.1	–
NPI Pensions Management Ltd	[illegible]	[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	214.4	226.2	(z)	–
UK Fixed Int Acc	188.9	199.3	(z)	–
Intl Equities Acc	162.1	171.0	(z)	–
UK Managed Acc	167.9	177.1	(z)	–
Property Acc	224.5	236.9	(z)	–
Money Acc	134.0	141.4	(z)	–
Special Market Acc	143.7	151.6	(z)	–
Japan Equity Acc	93.0	98.2	(z)	–
North American Acc	96.5	101.8	(z)	–
Pacific Acc	90.6	95.6	(z)	–
Technology Acc	115.5	121.9	(z)	–
Nat Resources Acc	57.6	60.8	(z)	–
European Acc	94.9	100.2	(z)	–
Residential Prop Acc	90.6	95.6	(z)	–
Swiss Equities Acc	31.4	33.2	(z)	–
Hong Kong Acc	66.6	70.3	(z)	–
UK High Inc Eq Acc	69.3	73.2	(z)	–
Int Fixed Interest Acc	60.5	63.9	(z)	–
Int Managed Acc	53.9	56.8	(z)	–
HIP Managed Acc	114.2	120.4	(z)	–
HIP Managed II Acc	98.7	104.1	(z)	–
HIP Managed III Acc	105.9	111.7	(z)	–
Total Investment Bond				
UK Equity Initial		145.4	(z)	–
UK Fixed Int Initial		128.3	(z)	–
Intl Equities Initial		109.3	(z)	–
UK Managed Initial		114.0	(z)	–
Property Initial		153.5	(z)	–
Money Initial		91.4	(z)	–
Special Market Initial		111.2	(z)	–
Japan Equity Initial		72.0	(z)	–
North American Initial		74.7	(z)	–
Pacific Initial		70.1	(z)	–
Technology Initial		89.4	(z)	–
Nat Resources Initial		44.6	(z)	–
European Initial		84.9	(z)	–
Residential Prop Init		86.2	(z)	–
Swiss Equities Initial		30.0	(z)	–
Hong Kong Initial		63.5	(z)	–
UK High Inc Eq Init		66.0	(z)	–
Int Fixed Interest Init		58.4	(z)	–
Int Managed Init		52.2	(z)	–
HIP Managed Init		110.6	(z)	–
HIP Managed II Initial		96.9	(z)	–
HIP Managed III Init		105.1	(z)	–

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

هكزامن الأجهل

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16.56	17.39	+0.29	1.05
Japan Tech	$56 39	59.21	+0.41	-
Japan Fund	$24 06	25.27	+0.35	0.17
Japan New Gnrtn Fd	$18.08	18 99	-0.02	-
Malay Sing	$53.58	56.26	+0.01	0.91
Nth American	$21.94	23 04	+0 44	0.58
Octopus Fund	$21.43	22.51	+0.01	0 88
Pacific Fd	$61 28	64.35	+0.25	-
International Bond	$17 02	17.87	-0.70	6.89
Europa Fund	$13.01	13.67	-0.15	-
British Screen Fd	10.88	0.93	-0.02	-
Tristar Warrant	$10.82	11.37	+0.01	-
Hong Kong	$50 67	53.21	+0.31	3.09
Mngd Portfolio (Stlg)	£3.99	4.30	-0.05	-
Mngd Portfolio (Dllr)	$10.04	10.60	+0.01	-
Currency Fd-Sterling	£19.73		+0 01	-
Currency Fd-US Dollar	$15 47		.....	-
Curr Fd-Deutschemark	DM40.93			-
Curr Fd-Managed $	$45 79	48.01	+0.17	-
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Serv Series*	$1.00		.....	4.63
Investment Series*	$1.00		.....	4 54

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM 0624 661951						
ADI Managed(z)	5	[illegible]	0.5704	0.6074	[illegible]	1.35
ADI Hgh Currency(z)	5	[illegible]	0 4022	0.4242	[illegible]	5.4
ADI W'wide Eqt(z)	5	[illegible]	0 6397	0 6812	[illegible]	1.13
ADI Nth Amer Gth(z)	5	[illegible]	0.7764	0.8268	[illegible]	0.01
ADI Far East (z)	5	$1.068	1 068	1 137	[illegible]	1.17
ADI Gilt & Income(z)	5	[illegible]	0.2534	0 2671	[illegible]	9.54
ADI UK Cap Gth (z)	5	[illegible]	0.2182	0.2323	[illegible]	5.49
ADI Europe Fd (z)	5	[illegible]	1.074	1.141	[illegible]	1.51

For conversion Prices of Shares Phone: 0624 662860

Asset Global Funds Ltd (1200)

Victory Hse, Prospect Hill, Douglas, IoM 0624 620097

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Trust Funds – Contd.						
UK Equity	5	140.62	140.62	152.50	-0.67	0.90
International Equity	5	111.90	111.90	119.09	+1.58	0 00
Far Eastern	5	87 07	87 07	93.29	+1.42	0 00
European	5	78.79	78.79	83.35	-0.18	0 00
Pan American	5	148.36	148.36	157.28	+2.23	0 00
TSB Gilt Fund Ltd						
Quarterly Share	3	97.12	97.12	100.37	-0.15	10.26
Monthly Share	3	95.00	95.00	98 16	-1.04	10 49

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Currency Funds				
Sterling	£21.46		-	9.5
US Dollar	$31.52		.....	3.7
Deutschemark	DM55.55		+0 01	7.9
Yen	Y4,061		.....	5.0
Managed Multicurrency	£13.20	13.68	+0.02	-
Managed Multicurrency	$25.30	26.19	..	-
Bond Funds				
Sterling Bond	£0.404	0.419	-0.001	10 6
US Government Income	$98.81	102.32	+0.30	6 7
Asian Selection Funds				
Hong Kong	$12.801	13 475	+0 075	3 0
Indonesia	$7.533	7.930	+0 036	2.5
Korea	$9.954	10.478	-0.144	2.5
Malaysia	$9.546	10.048	+0.027	0.5
Philippines	$10.757	11.323	+0.004	2.5
Singapore	$11.389	11.988	+0.034	1.0
Thailand	$11.557	12.165	+0.212	2.5
South East Asia	$10 780	11 347	..	3.0
US Dollar Liquidity	$9.559	10 037	(u)	3.4
Cater Allen Investment Management (CI)				
CA Gilt Income	£6 42	6.71	- -	17.88
CA Gilt & Futures	£1.010	1.061		7 54
CA Equity Gwth	£4.01	4.36	-0.18	3.44
Citibank (CI) Ltd "Citifunds"				
Liquidity Funds				
Deutschmark	DM30.096		+0.007	-
Yen	Y5008.650		+0.155	-

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Markets wait for Bundesbank

THE DOLLAR ended slightly higher yesterday after spending much of the session trapped in a narrow band awaiting the Bundesbank council meeting tomorrow and the US November employment figures on Friday.

The US currency was supported by the latest US economic reports and growing talk in Frankfurt that German rates will not be raised this week.

American leading indicators rose by 0.1 per cent in October, while new single home sales for the same month increased by 2.2 per cent. Both numbers were close to most analysts' forecasts and provided an opportunity for the dollar to improve to DM1.6170. But it was unable to hold at the highs after Mr Michael Boskin, the White House chief economist, said "the recovery has turned out a bit more sluggish" than expected.

The Bundesbank council meeting was also keeping the foreign exchanges in suspense as dealers tried to guess whether domestic inflationary pressures or European diplomacy would exert a greater influence over council members tomorrow.

According to a report by Johnson Smick, the Washington consultants, the Bundesbank decided at its last council meeting to raise the Lombard rate by ¼ point to 9¼ per cent. The move will not come this week but is likely before the year-end.

This coincided with a growing belief in the Frankfurt money markets that the Bundesbank will wait until after the Maastricht summit before tightening policy. However, in London many traders thought the Bundesbank will wish to assert its independence from the Bonn government, and show it is taking the threat of inflation seriously by raising rates tomorrow.

The release on Friday of the November US employment report is also the subject of much speculation. Non-farm payroll employment is expected to have fallen 22,000, against an October decline of 1,000.

There is growing talk that a large fall in employment could trigger monetary easing by the Federal Reserve, perhaps as soon as the end of next week after the November inflation figures are released.

In spite of all the speculation, trading was quiet with little currency movement. The dollar opened at DM1.6125 and closed at DM1.6135, up from DM1.6090. It eased to Y129.45 from Y129.95. In New York the dollar dipped to DM1.6080.

The yen was firmer as Japanese monetary and government officials queued up to say they wanted the currency higher. The Tokyo markets duely responded, although European traders were less bullish, citing the prospect of slower growth and lower interest rates. The D-Mark slipped to Y80.20 from Y80.75.

Sterling, slightly weaker overall, held at DM2.8575 but was down from DM2.87 at the start of the week. It slipped to $1.7715 from $1.7765, but in New York rose to $1.7755.

£ IN NEW YORK

Dec 3	Close	Previous Close
£ Spot	1.7750-1.7760	1.7725-1.7735
1 month	0.85-0.83pm	0.88-0.87pm
3 months	2.50-2.47pm	2.52-2.49pm
12 months	9.30-9.20pm	9.29-9.22pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

	£	$
Greece	323.450 - 328.650	182.440 - 185.360
Hong Kong	13.7565 - 13.7695	7.7635 - 7.7655
Iran	116.50*	66.00*
Korea(Sth)	1327.25 - 1348.65	749.90 - 758.90
Kuwait	0.50685 - 0.50750	0.28595 - 0.28625
Luxembourg	58.75 - 58.85	33.15 - 33.25
Malaysia	4.8665 - 4.8750	2.7500 - 2.7520
Mexico	5389.30 - 5395.90	3040.00 - 3042.00
N.Zealand	3.1515 - 3.1550	1.7780 - 1.7800
Saudi Ar	6.6085 - 6.6855	3.7495 - 3.7505
Singapore	2.9400 - 2.9470	1.6615 - 1.6635
S.Af (Cm)	4.9425 - 4.9540	2.7905 - 2.7925
S.Af (Fn)	5.3875 - 5.4710	3.0395 - 3.0865
Taiwan	45.65 - 45.75	25.70 - 25.80
U.A.E.	6.4710 - 6.5480	3.6715 - 3.6735

*Official rate. Floating rate £-2525.0 $-1420.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 3	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.045	-2.68	5.10	46
Belgian Franc	42.4032	41.9792	-1.00	3.31	43
D-Mark	2.05586	2.03736	-0.90	3.21	50
Dutch Guilder	2.31643	2.29638	-0.87	3.17	37
Irish Punt	0.767417	0.764588	-0.37	2.66	12
Italian Lira	1538.24	1538.42	0.01	2.27	-6
French Franc	6.89509	6.96242	0.98	1.29	-60
Danish Krone	7.84195	7.92519	1.06	1.20	-53
Sterling	0.696904	0.712785	2.28	0.00	-45

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Dec 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7710 - 1.7740	1.7710 - 1.7720	0.84-0.82cpm	5.62	2.50-2.47pm	5.61
Canada	2.0070 - 2.0120	2.0090 - 2.0100	0.55-0.50cpm	3.14	1.61-1.53pm	3.13
Netherlands	3.2150 - 3.2275	3.2175 - 3.2275	[illegible]	1.16	[illegible]	0.93
Belgium	58.75 - 59.05	58.75 - 58.85	8-3cpm	1.12	19-14pm	1.12
Denmark	11.1000 - 11.1375	11.1075 - 11.1175	[illegible]	1.35	[illegible]	1.03

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 5⅝-5½ per cent; three years 6⅜-6¼ per cent; four years 6⅝-6½ per cent; five years 7⅛-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.771	2.857	229.2	9.765	2.527	3.222	2156	2.009	58.80	1.405
$	0.565	1	1.613	129.4	5.514	1.427	1.819	1217	1.134	33.20	0.793
DM	0.350	0.620	1	80.22	3.418	0.884	1.128	754.6	0.703	20.58	0.492
YEN	4.363	7.727	12.47	1000.	42.60	11.03	14.06	9407	8.765	256.5	6.130
F Fr.	1.024	1.814	2.926	234.7	10.	2.588	3.300	2208	2.057	60.22	1.439
S Fr.	0.396	0.701	1.131	90.70	3.864	1	1.275	853.2	0.795	23.27	0.556
N Fl.	0.310	0.550	0.887	71.14	3.031	0.784	1	669.1	0.624	18.25	0.436
Lira	0.464	0.821	1.325	106.3	4.529	1.172	1.494	1000.	0.932	27.27	0.652
C$	0.498	0.882	1.422	114.1	4.861	1.258	1.604	1073	1	29.27	0.699
B Fr.	1.701	3.012	4.859	389.8	16.61	4.298	5.480	3667	3.417	100.	2.389
Ecu	0.712	1.260	2.033	163.1	6.950	1.799	2.293	1535	1.430	41.85	1

Yen per 1,000; French Fr. per 10; Lira per 1,000; Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

ECU BOND (MATIF)

December	105.20	105.64	+0.38	105.64	105.20	9.17	4,592
March	105.40	105.72	+0.36	105.72	105.32	9.16	1,021

Estimated volume 3,878 Total Open Interest 5,613

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
105	1.58	-	-	0.56	0.76	-
106	1.00	1.66	-	0.95	-	-
107	0.59	1.16	-	1.54	-	-
108	0.30	0.78	-	-	-	-
Open Int.	120,607	9,859	N/A	84,428	10,629	N/A

Estimated volume 31,169 Total Open Interest 225,523

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5	● Members of British Merchant Banking & Securities Houses Association.	
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

MONEY MARKETS

German rates lead

EUROPEAN money market rates remained firm yesterday ahead of the Bundesbank council meeting tomorrow amid persistent speculation that it will raise interest rates.

In the German markets, the upward pressure on rates eased a little after overnight money rates retreated slightly after the Bundesbank injected funds into the banking system.

But with the market rife with talk about the Bundesbank lifting interest rates, call money at 9.15-9.20 per cent remained just below the central bank's 9.25 per cent Lombard emergency funding rate.

The rate talk continued to drive the futures market lower. In London, the December Euromark contract declined 3 points to 90.38.

In the Frankfurt markets, there was less talk than in London about a rise this week in German rates but few dealers seemed willing to rule it out.

It is widely believed that that rising inflationary pressures will force the Bundesbank to lift rates this year. Some German dealers said that the Bundesbank will wish to stay out of the limelight, just as political and monetary union is being discussed at Maastricht.

A rise in German rates would heighten tension inside the ERM and some analysts believe that could weaken Germany's negotiating position at the summit.

On the other hand, there is a growing school of thought that relations with Bonn are strained and the Bundesbank will wish to assert its influence at a time when inflation is yet to be controlled.

In Brussels bill yields rose after a higher than expected yield at the Belgian National Bank's three months Treasury bill auction. Mr Jonathon Griggs, money market economist at Barclays Bank, said the rise in Belgian rates reflected the heightened speculation about German rates. Belgian interest rates move in tandem with German rates.

Sterling cash rates were firm with three months inter-bank money unchanged at 10¾-⅝ per cent as sterling weakened.

Overnight money traded at 7 per cent for much of the morning after the Bank of England took the unprecedented step of meeting most of the market's liquidity needs before lunch.

The Bank supplied £550m of assistance, which compared with a revised shortage of £600m.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.3) 3 months US dollars		6 months US Dollars	
bid 4⅞	offer 5	bid 4¾	offer 4⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	7½	One month	4.14	Three year	5.64
Broker loan rate	7	Two month	4.15	Four year	5.75
Fed.funds	4⅞	Three month	4.47	Five year	6.37
Fed.funds at intervention	4⅞	Six month	4.51	Seven year	6.83
		One year	4.62	10-year	7.28
		Two year	5.28	30-year	7.90

Dec.3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.15-9.25	9.30-9.50	9.25-9.45	9.25-9.45	9.25-9.45	9.25
Paris	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9¾-9⅝	9.25
Zurich	6⅝-6⅝	7⅞-8⅛	-	7⅞-8⅛	-	-
Amsterdam	9.31-9.43	9.40-9.50	-	9.42-9.52	-	-
Tokyo	6⅛-6⅛	6⅛-6⅞	-	6⅛-6⅛	-	-
Milan	11¾-12¼	13-13⅛	-	12⅞-12⅞	-	-
Brussels	9⅞-9⅜	9⅛-9⅞	-	9½-9⅜	-	-
Dublin	9⅞-10	10⅜-10½	10⅜-10½	10⅜-10½	10⅜-10½	-

LONDON MONEY RATES

Dec. 3	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10⅝	10½	10⅞	10¾	10¾	10¾
Interbank Bid	4½	10¼	10⅞	10⅝	10⅝	10⅝
Sterling CDs	-	-	10⅞	10⅞	10⅝	10⅝
Local Authority Deps.	10¼	10⅞	10⅞	10⅞	10⅞	10½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10¼	10⅜	-	-	-	-
Company Deposits	-	-	10¾	10⅞	10¾	10⅞
Finance House Deposits	-	-	10⅞	10⅞	10⅝	10⅝
Treasury Bills (Buy)	-	-	10¼	10¼	10⅛	-
Bank Bills (Buy)	-	-	10¼	10¼	10	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.15	4.88	4.80	4.92
SDR Linked Dep. Offer	-	-	7⅛	7⅛	7⅛	7⅛
SDR Linked Dep. Bid	-	-	7⅛	6⅞	6⅞	6⅞
ECU Linked Dep. Offer	-	-	10½	10⅜	10⅜	10¼
ECU Linked Dep. Bid	-	-	10⅜	10⅜	10¼	10⅛

Treasury Bills (sell); one-month 10¼ per cent; three months 10¼ per cent; six months 9⅞ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 10⅛ per cent; Treasury Bills; Average tender rate of discount 10.0806 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 29, 1991. Agreed rates for period Dec.25, 1991 to January 25, 1992, Scheme I: 11.74 p.c., Schemes II & III: 11.75 p.c. Reference rate for period November 1, 1991 to November 29, 1991, Scheme IV&V: 10.513 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from December 1, 1991. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

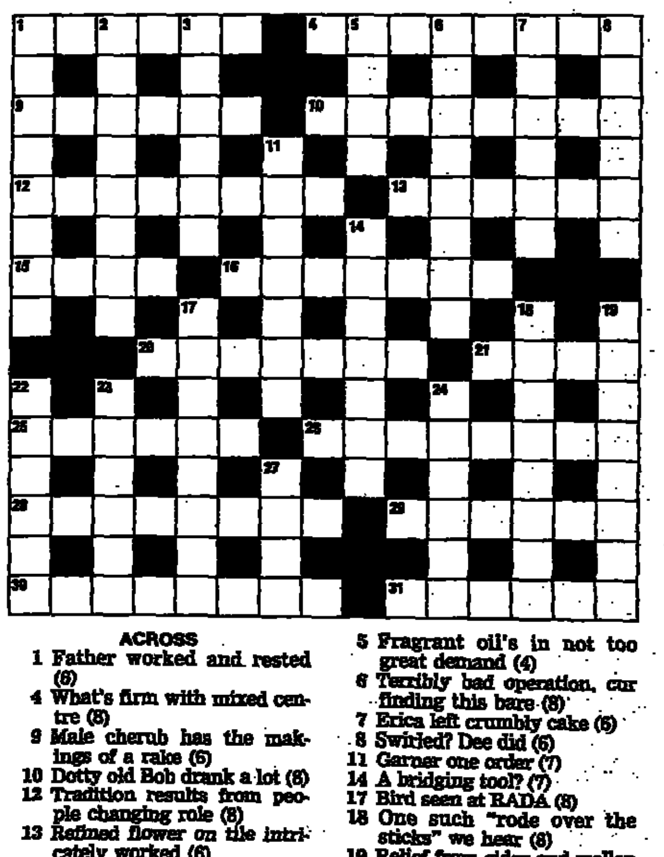
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,715 Set by FETTLER



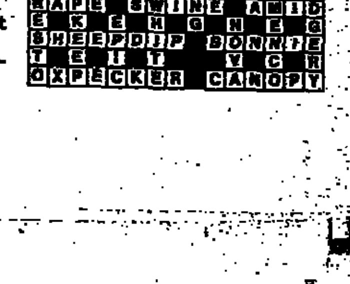
ACROSS

1 Father worked and rested (6)
4 What's firm with mixed centre (8)
9 Male cherub has the makings of a rake (6)
10 Dotty old Bob drank a lot (8)
12 Tradition results from people changing role (8)
13 Refined flower on tile intricately worked (6)
15 Indian porridge (4)
16 Pack some together to form a defensive wall (7)
20 What gives support to a divine getting on in years (7)
21 He's coldly abhorred the old Tibetan starters (4)
25 Imprison during bird (6)
26 Dog runs in grass. It's happened again (8)
28 I blur fitfully in the incense burner (8)
29 Mad don is eccentric (3,3)
30 Cut fruit's for use again (2-6)
31 A scene contrived for spiritualists (6)

DOWN

1 One we hear speaking with forked tongue (8)
2 Lad uncle adopted wasn't wanted (8)
3 Archdeacon in the cathedral? Exactly! (6)
5 Fragrant oil's in not too great demand (4)
6 Terribly bad operation, cur finding this bare (8)
7 Erica left crumbly cake (6)
8 Swirled? Dee did (6)
11 Garner one order (7)
14 A bridging tool? (7)
17 Bird seen at RADA (8)
18 One such "rode over the sticks" we hear (8)
19 Relief from cider and wallop (8)
22 One in care of abbess is tertiary novice perhaps (6)
23 Harmonise a tip top refrain (6)
24 Reduce advance that's owing (6)
27 Vulgar girl's regressed, becoming a drab (4)

Solution to Puzzle No.7,714



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Dec 3	Dec 2	Nov 29	Nov 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	2929.56	2935.38	2894.68	(c)	3077.15 (18/10)	2470 30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.65	97 43	97.19	(c)	97 92 (12/11)	91.30 (16/1)	97 92 (12/11/91)	54 99 (1/10/81)
Transport	1223.28	1199.36	1172.27	(c)	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220 64	221 64	218.83	(c)	221.64 (2/12)	195 17 (10/7)	236 23 (2/1/90)	10.50 (8/4/32)

φDay's High 2958.18 (2941 64) Low 2904 74 (2855.32)

STANDARD AND POOR'S

	Dec 3	Dec 2	Nov 29	Nov 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	380 96	383.40	375.22	(c)	397.41 (13/11)	311 49 (9/1)	397 41 (13/11/91)	4 40 (1/6/32)
Industrials	449 02	449.84	442.42	(c)	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3 62 (21/6/32)
Financial	30.41	30.34	29.77	(c)	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8 64 (1/10/74)
NYSE Composite	210.55	210.65	207.75	(c)	219.37 (13/11)	170 97 (9/1)	219.37 (13/11/91)	4.46 (25/4/42)
Amex Mkt. Value	372.45	371 89	370.68	(c)	392.37 (12/11)	296 72 (14/1)	397 03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	533.34	530 91	523 90	(c)	556 17 (13/11)	355 75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Nov 29	Nov 22	Nov 15	year ago (approx.)
Dow Industrial Div. Yield	3.15	3 15	3.10	4.01

	Nov 27	Nov 20	Nov 13	year ago (approx.)
S & P Industrial div. yield	2.82	2.80	2.67	3.42
S & P Indl. P/E ratio	22.78	22.79	22.04	15.37

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Unisys	7,209,500	5¼	....
USX-Marathon	3,472,500	24⅛	- 1⅛
Glaxo	2,823,100	29	...
Nabisco	2,466,200	9¾	...
Wal-Mart	2,276,400	49¾	+ ⅛
Adv Micro	2,253,900	14¾	+ ⅝
AT & T	1,917,200	36½	+ ¼
Ohio Ed	1,914,300	19¾	...
Chiquita	1,717,900	36½	- 4¾
Ph Morris	1,617,800	68¼	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Dec 3	Dec 2	Nov 29
New York SE	188.077	188.371	76.790
Amex	11.444	13.247	6.921
NASDAQ	(u)	145.913	66.316
NYSE			
Issues Traded	2,160	2,162	2,059
Rises	825	926	746
Falls	834	779	762
Unchanged	501	457	551
New Highs	62	46	22
New Lows	31	70	44

CANADA

TORONTO	Dec 3	Dec 2	Nov 29	Nov 28	1991 HIGH	1991 LOW
Metals & Minerals	2834.06	2851.27	2846.05	2854.58	3299.99 (18/7)	2632.06 (9/1)
Composite	3453.41	3456.38	3448.51	3436.64	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1825.15	1819 91	1815.84	1810.02	1907.35 (12/11)	1686 89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

	Dec 3	Dec 2	Nov 29	Nov 28	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1607 9	1591.1	1605.7	1604 7	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	641.5	630.8	638.5	640.5	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	403.54	403.87	412.41	413.87	534 81 (16/4)	385.58 (4/1)
BELGIUM						
BEL20 (1/1/91)	1067 44	1059.37	1069.06	1070 82	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	352.04	350 97	354.24	354.28	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	821.2	839.9	847.1	871.1	1186.9 (8/4)	810.3 (14/11)
FRANCE						
CAC General (31/12/82)	470.84	471.92	477.39	480 22	503.51 (15/11)	394 88 (15/1)
CAC 40 (31/12/87)	1722.21	1708.78	1739 70	1754.88	1887.29 (1/10)	1425 26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	635.07	633 71	642.82	650.82	717.43 (17/6)	570 48 (15/1)
Commerzbank (1/12/53)	1793 40	1789 40	1814.60	1837 40	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1546 84	1545.44	1566.57	1588.16	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4124.38	4094 42	4149.80	4145 61	4271.34 (15/11)	2984 01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1350 69	1347.51	1353.30	1353.03	1520 65 (15/3)	1114 86 (25/1)
ITALY						
Banca Com Ital (1972)	513 28	510.25	518.50	520 77	619.38 (3/6)	486.36 (29/1)
JAPAN						
Nikkei (16/5/49)	22166.83	21992.29	22687.35	22780 42	27146 91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1708.59	1692.40	1731.30	1734.18	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2496 92	2508 10	2528.55	2541.38	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	528.38	538.21	532.09	532.32	635 02 (29/5)	470 41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	272.5	270 1	273.2	273.6	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	191.4	189.6	191.9	192.2	203 1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	598.72	595.77	624.56	634.16	793.53 (26/8)	595.77 (2/12)
PHILIPPINES						
Manila Comp (2/1/85)	1104 91	1096.03	1088 08	1092.04	1183 40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	391.19	390.26	393 12	392.96	422.43 (26/4)	315 07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1216.0&	1257 0	1233.0	1236 0	1469 0 (5/7)	971 0 (25/2)
JSE Industrial (28/9/78)	4172.0&	4175 0	4220 0	4208.0	4364 0 (13/11)	2829 0 (16/1)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	643 93	651 44	652.47	660 73	763 10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	244 12	243.14	246.42	246.71	289 22 (18/3)	213 70 (14/1)
SWEDEN						
Affarsvärlden Gen (1/2/37)	932.60	932 20	954 80	945 90	1149 8 (11/7)	808 4 (8/1)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	714 7	708.9	719 7	727 6	769.3 (14/11)	590 4 (14/1)
SBC General (1/4/87)	584 6	580 1	586 9	592.4	638 0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4343 24	4355 02	4391 61	4453 58	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	663 75	666 60	671.07	667 85	908 13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl (1/1/70) ($)	501.6*	499.4	500 0	501.9	529.2 (17/4)	439 1 (16/1)

**Saturday November 30: Taiwan Weighted Price 4378.50; Korea Comp Ex. 652.11. & Subject to official recalculation. *Calculated at 15.00 GMT. Base values of all indices are 100 except BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed (u) Unavailable

TOKYO - Most Active Stocks

Tuesday, 3 December 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod	6 0	1,090	+ 30	Japan Steel	2 8	536	+ 6
Nippon Steel	3 8	368	0	Mitsub. Heavy	2 8	673	+ 7
Meiji Seika	3 6	950	+ 14	Hitachi Zosen	2 7	631	+ 8
Hitachi	3 3	924	+ 24	Toshiba	2 6	619	+ 2
Okamoto	3 2	1,120	+ 10	Sanyo-Kokusaku	2 4	605	0

4:00 pm prices December 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	3.9	16	676	12¼	12	12¼	-⅛
22⅞	14½	A L Labs A	0.16	0.8	22	620	20	19⅞	19⅞	-⅛
55¼	40⅞	AMP Inc	1.44	2.7	21	2014	53¼	51⅞	53¼	+1⅜
68⅝	44¼	AMR			11	5397	61	59⅞	60⅞	+⅞
2⅝	1	ARX			1	30	1⅛	1⅛	1⅛	+⅛
56	41½	ASA	3.00	6.1	14	282	49⅜	49	49⅛	-⅛
61⅛	39¼	Abbott Lab	1.00	1.7	24	2851	59⅞	59⅛	59⅞	-⅛
14⅝	9⅞	Abitibi Pr	0.44	3.3	17	20	13¼	13¼	13¼	-⅛
11⅝	10⅛	ACM Gvt In	1.26	11.4		479	11⅛	10⅞	11	
9⅛	8¼	ACM GvOpp	1.01	10.5		155	9⅝	9½	9⅝	
9½	8¼	ACM Gvt Sp x	1.01	11.1		289	9⅛	9⅛	9⅛	-⅛
11	9⅞	ACM Gvt Se x	1.26	11.8		222	10⅝	10½	10⅝	+⅛
9	7⅝	ACM Man	1.01	11.7		548	8⅛	8½	8⅝	
12⅞	11½	ACM Managd	1.35	11.1		146	12¼	12⅛	12⅛	-⅛
7½	4⅞	Acme Cleve	0.40	6.4	13	184	6⅛	6	6⅛	
6	3⅛	Acme Elect			3	5	4⅞	4⅞	4⅞	
40	22⅛	Acuson			18	12764	32	28¼	28⅝	-4⅝
20¼	14⅛	Adams Exp x	1.63	9.2	0	191	17⅞	17⅝	17⅝	
20⅛	17½	Adobe12Pf	2.40	12.9		66	18⅝	18½	18⅝	
9¼	6⅛	Adobe Res			62	14	6¼	d6⅛	6¼	
38⅜	18	Ad Micro x				381	38¼	37⅛	38⅛	+1
14⅝	4⅝	Ad Micro P	3.00	20.2	74	18770	u15	14⅜	14⅞	+½
[illegible]										

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
38	26½	Barcls ADR	1.75	6.9	13	20	26	d25	25½	-1
29½	14⅞	Bard (C R)	0.48	1.8	27	1347	28½	27⅛	27⅛	-1
38	26	Barnes Grp x	1.40	3.8	14	11	36⅝	36½	36½	-⅛
36⅛	16½	Barnett Bk x	1.32	4.6	23	908	29⅛	28¼	29	-⅜
6⅞	4⅞	Barold x	0.20	4.1	14	3236	5	d4⅞	4⅞	-⅛
10⅝	5⅞	Battle Mt	0.10	1.4	36	82028	7⅝	7⅛	7⅜	-⅜
55¼	31¾	Bausch Lmb x	0.72	1.3	21	2908	54	53	53¾	+⅜
44⅛	35¼	Baxter Prf x	3.30	7.6		95	43⅝	43	43⅛	-⅛
39⅛	25⅝	Baxter x	0.74	2.0	17	8919	36⅝	35¾	36⅛	
23⅝	18⅝	Bay St Gas	1.34	6.0	16	41	22⅝	22⅛	22⅝	
22⅛	20	Bd Tr 1838	1.82	8.3		19	22	21⅞	21⅞	
17⅞	6½	Bear Stns	0.57	3.8	9	2193	15⅛	14½	15	+½
41½	35½	BearStPfA x	3.28	8.3		2	40½	40½	39⅞	-1⅛
23¾	15¼	Bearings	0.64	3.4	30	74	18¾	18¼	18¾	+⅜
13¼	3⅛	Beazer ADR			12	2971	8¼	8⅛	8⅛	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

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- X - Y - Z -

66	35¼	Xerox x	3.00	4.7	60	3304	64	63¾	63¾	+¾
51¾	43¼	Xerox4.125 x				2	51	51	51	+1½
25¼	14⅛	Xtra 1.94				2	23	23	22½	
29¾	14¼	Xtra Corp	0.72	2.7	90	38	27	26¾	27	+⅛
27⅞	21⅜	Yankee Egy	1.60	6.0	12	48	26⅞	26⅜	26⅞	+½
1½	⅜	Zapata			62	132	⅝	d⅜	⅝	+⅛
9⅞	6¼	ZenithElec			2	823	7⅛	6⅝	7⅛	+⅝
18½	12	Zenith Nat	1.00	6.5	128	156	15⅜	15⅛	15⅜	-⅛
8⅝	4½	Zenix Inc	0.84	13.7		184	6¼	6⅛	6⅛	-⅛
15¼	10¾	Zero Corp	0.40	3.7	14	116	11⅛	d10¾	10¾	-¼
41½	29½	Zurn Ind x	0.88	2.6	13	177	34⅛	33⅞	34	-¼
13½	10¼	Zweig Fund	1.16	9.2		836	12⅝	12½	12⅝	
10½	8½	Zweig Totl	0.36	9.2		373	10⅜	10¼	10⅜	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE PRICES

4:00 pm prices December 3

[illegible]

NASDAQ NATIONAL MARKET

4:00 pm prices December 3

[illegible]

AMERICA

Equities in cautious mood before employment data

Wall Street

US STOCKS held steady at slightly lower levels yesterday as the market paused after the previous day's sharp rally, *writes Karen Zagor in New York.*

The Dow Jones Industrial average shed 5.82 to 2,929.56 amid unexceptional New York SE volume of 188m shares. Declines edged ahead of rises by 838 to 811. The Standard & Poor's 500 ended 0.43 off at 380.97. On Monday the Dow closed 41 points ahead after reversing an early slide.

The 30-blue chip Dow indicator seems to have found support at 2,900, but investors in all US markets remained cautious ahead of Friday's release of the November employment report.

Trading in Treasuries was subdued yesterday morning, but hopes of an imminent easing of monetary policy lifted prices in late trading.

Yesterday's economic data, showing new single-family home sales up 2.2 per cent in October and the index of leading indicators 0.1 per cent ahead in the month, paled into insignificance as the market waited for the employment figures. It is widely believed that any change in monetary policy by the end of the year will be determined by the jobs numbers.

Unisys led big board trading for a second day, amid growing rumours that the ailing computer maker may soon be acquired. The stock closed $⅛ easier at $5.

USX-Marathon Group, the oil and gas exploration company, tumbled $2⅞ to $24⅞ on reports that the company's well in Tunisia had shown only minor, non-commercial levels of oil.

Reports that Pan Am's Chapter 11 reorganisation plan was floundering and that Delta Air Lines had halted any further funding of Pan Am spurred active trading in the airline sector. Delta climbed $2⅞ to $60¼ and AMR $¾ to $60⅞.

The reports helped to push the Dow Jones Transportation Average up 23.93 to 1,223.28. UAL, parent of United Airlines, gained $2⅝ to $129¼. News that UAL expects to post a record 1991 loss came after the close of trading.

Glaxo continued to benefit from Monday's marketing approval of its anti-migraine drug Imigran in Italy. If the drug receives approval from the US Food & Drug Administration, analysts believe that it could some day reap sales of $1bn. Glaxo's American Depositary Receipts rose in morning trading before ending a net $⅛ off at $28⅞.

AT&T edged $¼ higher to $36¼. The US telecommunications giant expects to take a one-time charge for health liabilities in the first quarter of 1993. The company estimates that its after-tax accumulated liabilities are between $5.5bn and $7.5bn, but said that earnings would be reduced by no more than $100m annually. AT&T earned $3.1bn in 1990.

Over-the-counter issues outperformed primary stocks, with the Nasdaq composite adding 2.43 at 533.34.

Oracle Systems, which markets database management software, dropped $1½ to $12⅞ in active trading after analysts at Dean Witter and Soundview Financial cut second-quarter earnings estimates for the company.

Canada

TORONTO share prices showed little overall movement in moderate trading. The composite index ended just 3.0 off at 3,453.4 and losing issues were ahead of gains by 330 to 227 after volume of 20.6m shares.

The gold group fell 1.79 per cent as the New York bullion price lost US$3 an ounce.

Argentina expects boost from flagship issue

John Barham examines prospects for the world's best performing market this year

ARGENTINA's stock exchange, the fastest growing in the world this year, will receive a hefty infusion this month when shares in the country's first privatised company make their debut.

The government expects to raise $650m by Christmas from the sale of its 30 per cent stake in Telefónica de Argentina, the privatised telephone group, to local investors and to foreigners through an international private placement co-ordinated by Merrill Lynch. Roadshows to promote the shares are scheduled throughout Argentina, the US and Europe, ending in London on December 9.

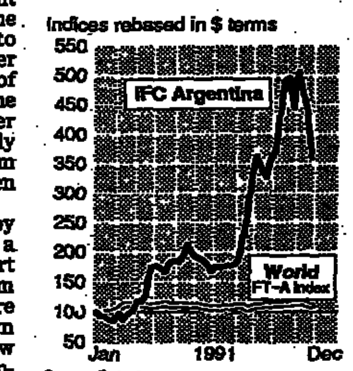
About $4bn to $5bn worth of privatisation issues is expected to hit the Buenos Aires market over the coming years, transforming a market which has already undergone remarkable change this year.

Argentine equities took off in April, when decades of gloom over the economy gave way to sudden optimism about the government's market-oriented reforms. The Buenos Aires Exchange's local market index has risen 581 per cent from a level of 21,998,000 at the beginning of this year to 149,894,400 on Monday, after reaching a 1991 high of 175,000,000. In dollar terms, the market has climbed 260 per cent this year. Average daily turnover has ballooned to $20m to $30m from $2m to $4m seen a year ago.

The rally has been fuelled by a surge of capital chasing a limited supply of stocks. Part of the money comes from Argentine investors' offshore savings, part from foreign investors. Foreign funds now hold about 8 per cent of Argentina's $12bn worth of equities.

Mr Martín Redrado, head of the National Securities Commission (CNV), says: "A main goal is to bring new shares to the market to avoid a bottleneck." He adds that he is doing all he can to encourage companies to issue more equity or to list for the first time.

He doubts that the arrival of Telefónica stock, followed by a deluge of shares in other privatised companies and new issues by listed companies, will satiate investors. While more



Source: Datastream

stock will come on to the market, flight capital is returning and Argentine institutional investors are turning to equities for the first time in years.

Telefónica, which began operations in November 1990, reported net income of $117m during its first year of business, on revenues of $1.11bn. But for a flagship issue, the Telefónica sale has become a sorry tale of ineptitude and confusion.

A year ago, the government split the national telephone network in two. It sold 60 per cent of one half to a consortium led by Spain's state-owned telephone company, Telefónica, while 60 per cent of the other half went to Telecom Argentina, a group comprising the French and Italian state telecoms companies. Ten per cent is held in trust for employees. The privatisations raised $5.03bn in a debt-for-equity swap, plus $214m in cash.

Since then, the government has failed to unload its shares in the two companies. Disputes within the consortia, bickering with underwriters, government indecision and inexperience, plus a predictable tangle of red tape have delayed the sale all this year.

An executive at a bank which swapped Argentine debt for shares in Telefónica says: "We are totally confused. Nobody seems to know what is going on. This is a flagship issue, but it is turning out to be a total mess, which is scaring people off."

Nevertheless, Mr Christopher Ecclestone, a Buenos Aires-based equities researcher, expects investors to gobble up the shares: "Telefónica has a legal monopoly over the southern half of Argentina, charges high rates and has installed 115,000 new lines this year. High profitability is virtually guaranteed."

Equity prices fell last month as investors moved into cash to buy Telefónica stock or took profits. The market was also edgy about the talks with the International Monetary Fund. Few investors, however, seem anxious about an increasingly overvalued exchange rate, although the fragility of public finances and the feasibility of the government's fast-paced privatisation schedule do raise concern.

Still, investors are becoming more selective now that the initial euphoria is over and the realisation sinks in that markets go down as well.

Although Mr Redrado is deregulating, reducing transaction costs, cracking down on illegal speculation and demanding more disclosure from companies, he warns: "Volatility is something you will just have to learn to live with."

EUROPE

Special situations dominate continental trade

SPECIAL situations dominated trading yesterday, *writes Our Markets Staff.*

PARIS welcomed the overnight rise in New York, and finished higher after four days of losses. The CAC 40 index closed near its day's high at 1,722.21, up 13.43 or 0.8 per cent. Options-related activity lifted turnover to about FFr2.3bn from FFr1.9bn.

Arjomari-Prioux, requoted after its suspension on November 21, was the most active stock in trading worth about FFr498m – more than one-fifth of total turnover. Arjomari, which is no longer included in the CAC 40 index, jumped FFr371 or 18.4 per cent to FFr2,391 in volume of 208,710 shares, while Saint Louis, which has offered to buy in the minority in Arjomari, fell FFr32 or 2.7 per cent to FFr1,173.

Also strong was Elf Aquitaine on reports that investors are queueing up for next week's issue of 5.78m shares or 2.3 per cent of the oil group. Elf gained FFr8.10 or 2.1 per cent to FFr390 in turnover of FFr109m. One dealer said that the new shares were expected to be priced at FFr400, compared with FFr408.70 just before the sale was announced in mid-November.

CMB Packaging gained FFr5.90 or 3.8 per cent to FFr160.90 in volume of 173,850 shares, but several blue chips were weak. Alcatel Alsthom fell FFr4 to FFr548 in turnover of FFr223m.

Scoa, the trading group which plans to raise its capital by up to FFr1.5bn, rose 85 centimes or 4.1 per cent to FFr21.80.

FRANKFURT saw its early gains wiped out after a sharp drop in December DAX futures. Following a 1.76 rise to 635.07 in the FAZ index at mid-session, the DAX closed just 1.40 higher at 1,546.84. Turnover rose from DM4.5bn to DM4.8bn.

The resurgence in the tyre-maker, Continental, which gained DM10 to DM208, was followed by AEG, the loss-making Daimler electronics subsidiary, which rose DM6.20 to DM205 on turnround hopes. Altana, which has litigation problems in its babyfood business, recovered DM9 to DM589 and Linotype, drastically downgraded this year, was DM9 better on the day at DM309.

Conti apart, the special situations traded in thin volume. However, SEL, in which Alcatel is buying in the minority, traded in DM93m yesterday as the shares rose DM25.50 to DM440.50.

MILAN closed firmer on isolated bargain-hunting, but trading remained thin. The Comit index rose 3.08 to 513.28 in turnover estimated at L80bn after Monday's L70bn.

Pirelli ordinary shares officially closed L109 or 8.4 per cent down at L1,200, but rebounded to L1,250 later.

Olivetti continued to weaken, falling 1.5 per cent or L45 to L2,820. The group's holding company, Cir, fell L20 to L1,900 in continuous trading.

Italgas, which forecast that turnover would rise by 12 per cent this year, gained L5 to L3,135 on bargain hunting.

ZURICH traders said that volume remained disappointing as the Crédit Suisse index recovered 3.9 to 451.5. The Swiss Pirelli slide extended with another SFr40, or 13 per cent, drop to SFr265.

Brown Boveri recovered SFr40 to SFr3,210 after its recent precipitous drop and Nestlé, recently left behind by other food majors, saw its bearers rise SFr100 to SFr8,880. There was also some interest in engineering companies, which have been under pressure recently; Georg Fischer bearers firmed SFr35 to SFr890, Schindler SFr50 to SFr3,350 and Sulzer SFr100 to SFr4,100.

BRUSSELS was enlivened by news of restructuring proposals at Acec-Union Minière, the non-ferrous metals arm of Société Générale de Belgique. La Générale gained BFr40 to BFr1,880 in active trading of 36,050 shares; Acec-UM was suspended. The Bel20 index rose 8.07 to 1,067.44.

HELSINKI was pushed down by foreign sales of free shares; the Hex index falling 18.3 or 2.2 per cent to 821.6. OSLO, however, steadied after Monday's 5.1 per cent fall. The all-share index rose 1.20 to 376.59 in turnover of NKr440m.

Norsk Hydro recouped NKr5.5 of its recent losses to NKr130, a rise of 4.4 per cent, in spite of news that a US Commerce Department study said that the company's magnesium exports from Canada were unfairly subsidised.

STOCKHOLM ended flat after a strong start. The Affärsvärlden General index rose just 0.4 to 932.6 in turnover of SKr352m after SKr411m.

The MADRID general index firmed 2.50 or 1 per cent to 245.64, but turnover was light at Pta6bn, down from Pta10bn.

AMSTERDAM rose in featureless trading. The CBS Tendency index added 0.7 to 88.3.

FT-SE Eurotrack 100 - Dec 3

Hourly changes

Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1056.84	1056.01	1052.61	1053.94	1053.71	1054.58	1054.85	1056.25

Day's High 1056.89 Day's Low 1052.34

Dec 2	Nov 29	Nov 28	Nov 27	Nov 26
1047.98	1062.38	1070.76	1069.79	1071.48

Base value 1000 (26/10/90)

ASIA PACIFIC

Bargain hunting at lower levels supports Nikkei

Tokyo

BARGAIN hunting countered small-lot arbitrage-related selling yesterday, and the Nikkei average, which fell 3 per cent on Monday, gained ground for the first time in five trading days, *writes Emiko Terazono in Tokyo.*

The 225-issue average closed 174.54 up at 22,166.83 after extremes of 22,364.59 and 21,923.59. The overnight advance on Wall Street prompted buying at the start of the session, but the index soon fell back on arbitrage-linked selling.

Bargain hunters came in at the lower levels. Reports that Mr Tustomu Hata, the finance minister, had said that the Finance Ministry was closely monitoring the market, also encouraged traders.

Dealers said investment trusts had placed buy orders around the 21,800 Nikkei level. Investors were also encouraged by fundamental factors, such as the higher yen and lower short-term interest rates.

Volume improved modestly to 250m shares from 200m. Foreigners and domestic institutional investors were buying in small amounts. Rises led falls by 655 to 282, with 163 issues unchanged. The Topix index of all first section stocks put on 16.19 to 1,708.59 and, in London, the ISE/Nikkei 50 index closed 2.02 firmer at 1,286.17.

At the end of the day, traders were relieved that the Nikkei had not fallen further. "There is no proof that the market has hit its bottom, but some stocks are exhibiting good signs of recovery," commented Mr Peter Tasker at Kleinwort Benson International. He pointed out, however, that while investors were buying shares of leading companies, smaller stocks on the second section and the over-the-counter markets were neglected.

In contrast to foreign brokers, domestic houses were generally pessimistic about an early recovery in share prices. Mr Shiomichi Kawamoto at Nikko's research centre said the Nikkei had not bottomed out. "Share prices are not reacting to lower interest rates, but to problems in the supply/demand situation and lower company earnings prospects for the current year. These factors have yet to be discounted in share prices," he added.

International blue chips picked up on bargain hunting by foreigners. Hitachi moved ahead Y24 to Y924 and Sony Y110 to Y4,330.

Speculators once again targeted Aids-related shares. Meiji Milk Products, the day's most active issue, rose Y30 to Y1,090 and Okamoto, the prophylactic maker, added Y10 at Y1,120.

Roadbuilders were strong on reports that a project to build a second expressway linking Tokyo and Nagoya would start next year. Nippon Hodo climbed Y20 to Y2,950 and Nippon Road Y70 to Y1,570.

Canon, the precision maker, appreciated Y50 to Y1,370 on an announcement that the company would invest Y100bn in its liquid crystal display business by 1995. Projections of a 3 per cent rise in pre-tax profits for the current fiscal year also provided support.

In Osaka, the OSE average rose 102.26 to 23,781.58 on volume of 10.7m shares.

Roundup

WALL STREET'S overnight gains and Tokyo's recovery underpinned the Pacific Rim yesterday.

AUSTRALIA's rebound took the All Ordinaries index up 16.8 to 1,607.9 in turnover of A$195m, against A$125m.

Building products group James Hardie declined 7 cents to A$2.95 ahead of its half-year results due this week.

NEW ZEALAND finished mixed. The NZSE-40 index moved in a tight range before closing 4.57 higher at 1,490.08. Turnover rose to NZ$16.9m from Monday's paltry NZ$7.5m.

Dual-listed stocks were supported by Australia's rise, with Telecom gaining 5 cents to NZ$2.49 in volume of 1.9m shares. Carter Holt Harvey, which will be listed on the Australian stock exchange tomorrow, firmed 3 cents to NZ$2.24 on 610,000 shares.

TAIWAN reversed early gains to end lower as Hualon Group, one of the market's most active players, sold second-line stocks. The weighted index lost 11.78 to 4,343.24, its seventh consecutive decline. Turnover decreased to T$15.88bn from T$17.02bn.

HONG KONG rose in early trading on bargain hunting but closed below the day's best. The Hang Seng index gained 29.96 at 4,124.36, recovering more than half of Monday's 55-point fall. Turnover grew to HK$1.13bn from HK$951m.

SEOUL tumbled on persistent bankruptcy fears, extending its almost unbroken losing streak into 18 out of the last 20 trading sessions. The composite index shed 7.51 to 643.93 in thin turnover of Won133.8bn, after Won125.2bn.

MANILA ended mixed to higher in light trading, helped by selective bargain hunting in the commercial and industrial sectors. The composite index added 8.88 at 1,104.91 in steady turnover of 46m pesos.

KUALA LUMPUR was mixed after profit-taking eroded an early advance. The composite index ended 0.17 up at 528.38. Volume slipped to M$34.9m from M$41.6m.

SINGAPORE's Straits Times Industrial index edged up 1.35 to 1,440.40 in turnover of S$55.6m (S$52.4m).

KARACHI hit yet another new high, the KSE 50-share index rising 62, or 2 per cent, to 3,149, about double its level during the early months of this year. Dealers said demand from foreign funds produced yesterday's gains.

SOUTH AFRICA

GOLD SHARES were hit by a late slide in bullion prices but industrials held up well. The all-gold index fell 41 to 1,216, while the industrial index eased 3 to 4,172 after an early rise to 4,182. The overall index fell 13 to 3,505.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 3 1991								MONDAY DECEMBER 2 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	151.67	+1.4	126.94	124.11	127.23	128.47	+1.2	4.54	149.65	124.89	122.93	125.19	127.00	160.31	112.74	121.97
Austria (20)	166.59	+0.0	139.42	136.32	139.75	139.68	+0.3	2.07	166.61	139.04	136.86	139.37	139.20	222.37	153.86	196.64
Belgium (47)	132.64	+0.7	111.01	108.53	111.26	108.60	+1.0	5.45	131.68	109.89	108.18	110.15	107.49	151.20	118.04	135.02
Canada (115)	137.52	+0.0	115.09	112.52	115.35	112.92	+0.1	3.30	137.50	114.75	112.94	115.01	112.81	144.28	126.49	126.92
Denmark (37)	252.64	−0.3	211.44	206.74	211.93	215.53	+0.2	1.66	253.29	211.38	208.06	211.88	215.13	270.56	217.74	239.96
Finland (15)	76.01	−3.5	63.61	62.20	63.76	69.72	−3.2	3.49	78.79	65.76	64.73	65.91	71.99	125.15	76.01	105.86
France (109)	138.19	+0.6	115.66	113.07	115.91	119.50	+0.8	3.71	137.40	114.67	112.86	114.93	118.54	152.26	119.11	140.24
Germany (65)	108.89	−0.1	91.13	89.11	91.34	91.34	+0.2	2.52	108.96	90.93	89.51	91.14	91.14	125.35	94.15	115.53
Hong Kong (55)	169.48	+0.7	141.84	138.68	142.18	168.95	+0.6	4.39	168.29	140.45	138.24	140.78	167.68	176.14	119.62	122.58
Ireland (18)	153.58	+0.3	128.53	125.67	128.83	130.95	+0.4	3.83	153.16	127.82	125.81	128.12	130.48	182.46	132.88	147.89
Italy (77)	71.63	+0.6	59.95	58.61	60.08	65.12	+0.8	3.56	71.21	59.42	58.49	59.56	64.60	88.23	64.76	78.82
Japan (474)	130.56	+1.4	109.28	106.85	109.55	106.85	+1.0	0.90	128.79	107.48	105.79	107.75	105.79	146.97	116.23	116.53
Malaysia (68)	202.06	+0.2	169.11	165.34	169.50	214.09	+0.2	2.81	201.73	168.35	165.70	168.75	213.73	247.78	189.18	192.47
Mexico (17)	1330.09	−0.5	1113.17	1088.38	1115.75	4422.38	−0.5	1.16	1337.40	1116.13	1098.58	1118.75	4446.67	1404.63	534.45	585.55
Netherland (31)	143.13	+0.7	119.79	117.12	120.07	118.86	+1.1	4.54	142.06	118.58	116.71	118.86	117.60	148.25	125.70	133.81
New Zealand (14)	47.99	+0.4	40.16	39.27	40.26	45.33	+0.6	6.13	47.79	39.89	39.26	39.98	45.05	54.64	41.18	47.20
Norway (30)	157.47	+0.3	131.79	128.86	132.10	135.78	+0.6	1.90	157.08	131.09	129.03	131.40	135.01	223.24	157.06	221.02
Singapore (38)	205.06	−0.2	171.62	167.80	172.02	157.10	−0.1	2.22	205.48	171.49	168.79	171.89	157.24	213.93	151.63	153.95
South Africa (61)	265.14	−1.1	221.90	216.95	222.41	177.51	−0.3	2.77	268.05	223.71	220.18	224.23	178.09	271.99	173.00	176.11
Spain (53)	146.21	+0.7	122.37	119.64	122.65	114.09	+1.0	4.85	145.14	121.13	119.23	121.41	112.92	171.12	131.51	145.62
Sweden (25)	167.40	−0.4	140.10	136.99	140.43	148.46	−0.2	3.04	168.04	140.24	138.04	140.57	148.71	204.12	148.60	164.29
Switzerland (59)	93.25	+0.7	78.04	76.31	78.24	82.53	+1.0	2.45	92.56	77.25	76.04	77.44	81.72	100.67	82.17	89.71
United Kingdom (239)	171.26	−0.2	143.33	140.13	143.65	143.33	+0.1	5.20	171.53	143.15	140.89	143.48	143.15	187.44	156.27	165.58
USA (526)	155.17	−0.1	129.86	126.97	130.17	155.17	−0.1	3.13	155.29	129.60	127.57	129.91	155.29	161.59	125.95	131.77
Europe (825)	136.98	+0.2	114.84	112.09	114.91	115.45	+0.4	4.18	136.75	114.13	112.34	114.40	114.95	151.52	125.50	136.80
Nordic (107)	171.03	−0.3	143.14	139.95	143.47	142.46	+0.0	2.27	171.60	143.21	140.98	143.55	142.46	200.51	155.55	174.03
Pacific Basin (719)	132.06	+1.3	110.52	108.06	110.78	109.07	+1.0	1.14	130.32	108.76	107.06	109.02	107.96	145.62	117.66	118.67
Euro – Pacific (1543)	134.35	+0.8	112.44	109.92	112.69	112.38	+0.6	2.38	133.21	111.17	109.41	111.42	111.53	147.56	121.29	125.20
North America (641)	154.00	−0.1	128.88	126.03	129.20	152.31	−0.1	3.14	154.11	128.62	126.61	128.94	152.42	160.44	125.91	131.38
Europe Ex. UK (586)	118.39	+0.4	97.41	95.28	97.66	99.39	+0.7	3.42	115.62	98.74	95.24	96.99	98.72	129.80	103.58	119.00
Pacific Ex. Japan (244)	148.65	+0.8	122.74	120.02	123.03	129.94	+0.8	4.18	145.45	121.39	119.50	121.69	128.94	153.19	111.40	117.56
World Ex. US (1736)	136.60	+0.8	114.32	111.78	114.59	114.16	+0.7	2.41	135.56	113.13	111.36	113.40	113.37	148.16	122.32	125.02
World Ex. UK (2023)	139.03	+0.5	116.35	113.77	116.64	125.29	+0.4	2.38	138.30	115.42	113.61	115.70	124.74	148.18	120.05	123.23
World Ex. So. Af. (2201)	141.01	+0.5	118.01	115.39	118.30	126.58	+0.4	2.67	140.34	117.12	115.29	117.40	126.03	148.89	122.82	126.70
World Ex. Japan (1788)	146.15	+0.0	124.83	122.06	125.14	138.17	+0.1	3.54	149.10	124.44	122.49	124.75	137.97	155.69	126.69	133.69
The World Index (2262)	141.64	+0.5	118.71	116.07	118.99	127.02	+0.4	2.67	141.20	117.84	115.99	118.12	126.50	148.37	123.28	126.99